

Informed Investor: Smart Beta Q1 2018 in brief

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European Smart Beta ETF market trends

The European smart beta ETF market had modest inflows of €606m in Q1 2018, continuing the 2017 trend of decreasing smart beta flows. Factor allocation ETFs continued to attract most of the inflows, in line with what we observed in 2017, while fundamental and risk-based strategies suffered outflows.

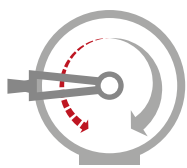
What happened last quarter?

Net New Assets

- ▶ After a strong start to the year (€892M in January), smart beta ETFs saw negative flows and experienced a weak Q1

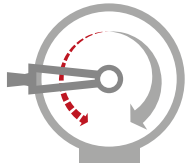


€606M



Bad start to a year for risk-based*

-€175M



Negative YTD flows for fundamental*

-€119M



Significant inflows into factor allocation*

€900M

Assets Under Management

- ▶ Total AuM are down 2.2% vs. the end of 2017, totaling €34bn and including a negative market impact (-4.0%)



€34bn

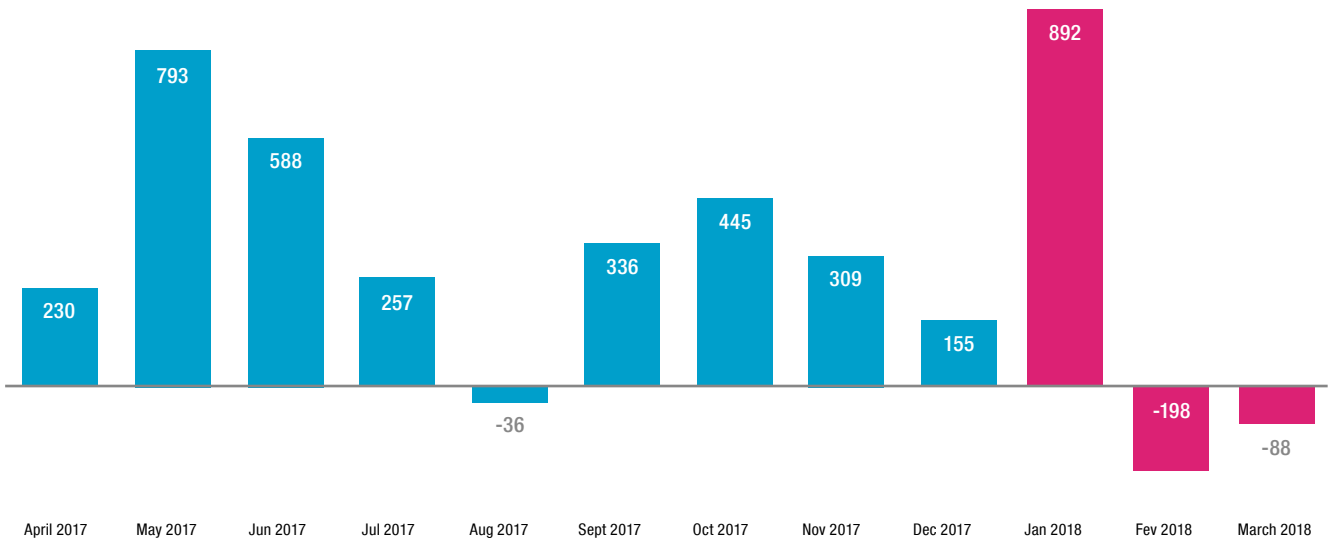
*See pages 3 and 4 for definitions.

Source: Quarterly data in €M from 01/01/2018 to 30/03/2018, Bloomberg, Lyxor. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

European Smart Beta ETFs in Q1 2018 – net flows (€M)

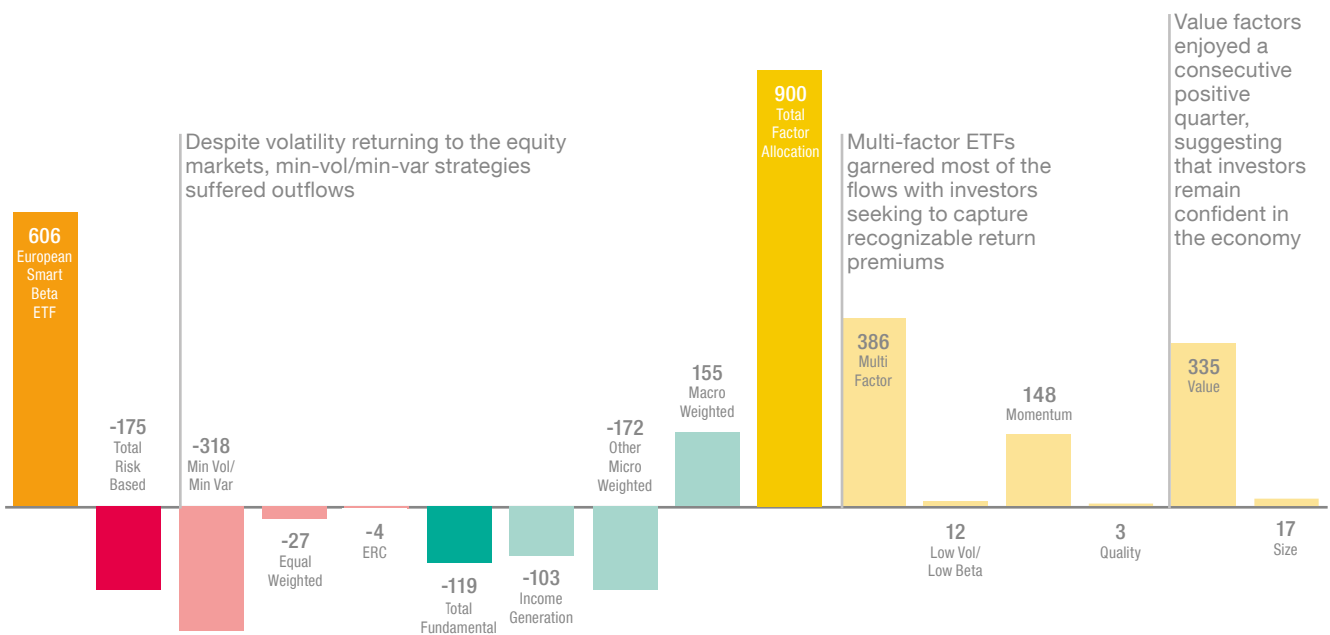
Modest inflows on European smart beta ETFs at €606M in Q1 2018

Monthly net new assets on European smart beta ETFs



Multi-factor & value factor ETFs gathered all smart beta ETFs flows in 2018 YTD

YTD net inflows on European smart beta ETFs by category



Sources: Monthly data in €M from 01/04/2017 to 30/03/2018, Bloomberg, Lyxor IAM

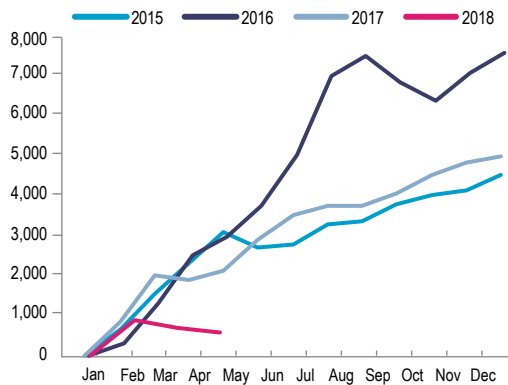
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Overview

Global

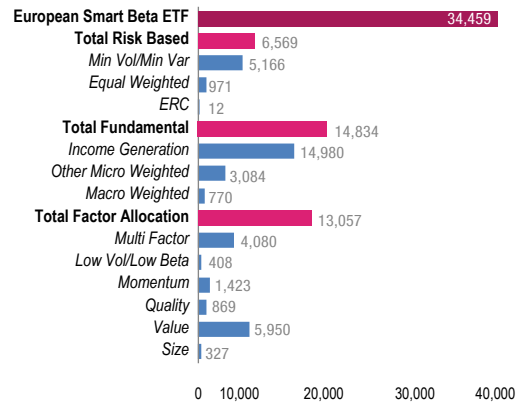
Smart beta definition: smart beta indices are rules-based investment strategies that do not rely on market capitalisation. To classify all the products that are included in this category we have used three sub segments: Risk Based, Fundamental, and Factor Allocation

Weak Q1 for European smart beta EFTs (€606m)
Cumulated monthly net new assets on European smart beta EFTs



Income generation account for 43% of smart beta AuM

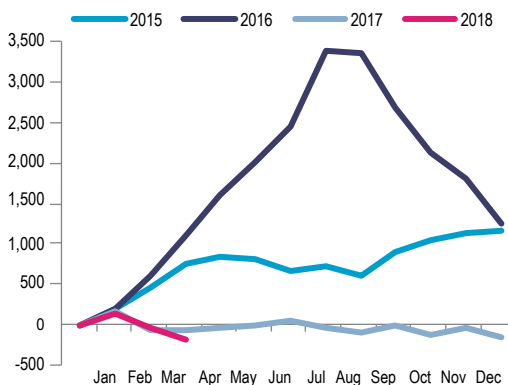
AuM on European smart beta EFTs by Category



Risk Based

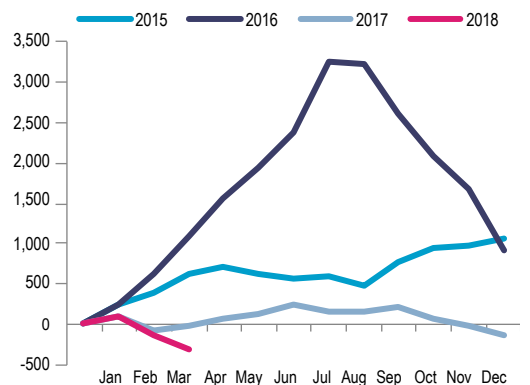
Risk based strategies are based on volatility, and other quantitative methods

Bad start to a year for risk based ETFs (-€175M)...
Cumulated monthly net new assets on risk based ETFs



...Mainly due to min vol/min var ETFs (-€318M)

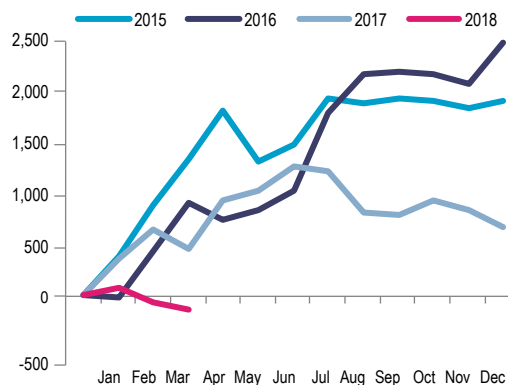
Cumulated monthly net new assets on min vol/min var ETFs



Fundamental

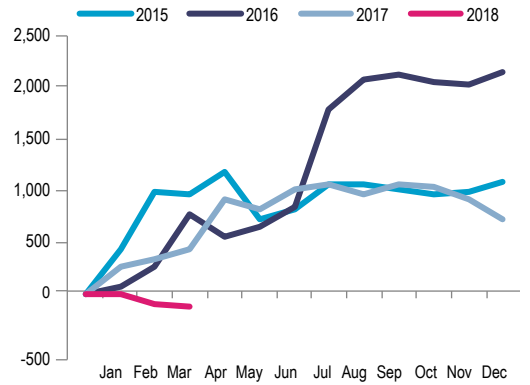
Fundamental strategies on dividend yield or on the economic footprint of a firm – through accounting ratios – or of a state – through macro-economic measures

Negative YTD flows for fundamental ETFs at -€119M
Cumulated monthly net new assets on fundamental ETFs



Bad Q1 for income generation ETFs at -€103M

Cumulated monthly net new assets on income generation ETFs



Sources: Monthly data in €M from 01/01/2015 until 30/03/2018, Bloomberg, Lyxor IAM

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Overview (cont'd)

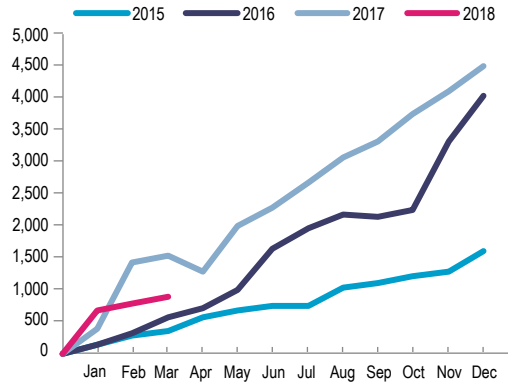
Factor Allocation

Factor strategies

include homogenous ranges of single factor products, and multifactor products designed for the purpose of factor allocation

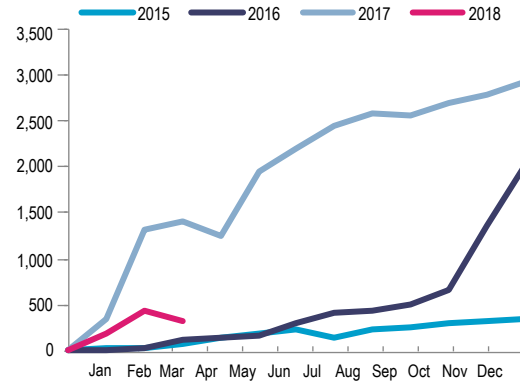
Significant inflows into factor allocation ETFs (€900M)

Cumulated monthly net new assets on factor allocation ETFs



Positive start for value ETFs (€334M)

Cumulated monthly net new assets on value factor ETFs

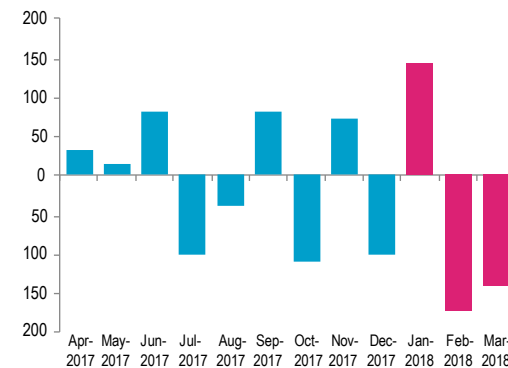


Overview by strategy

Risk Based

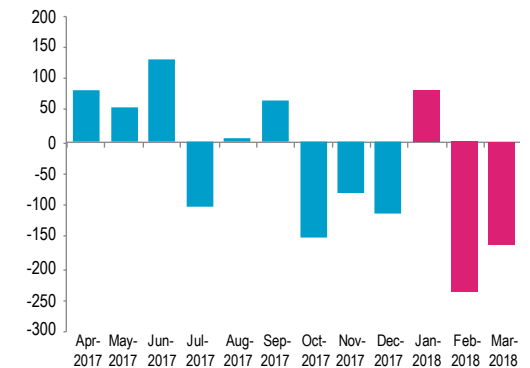
Negative flows on total risk based ETFs at -€175M in Q1

Monthly net new assets on risk based ETFs



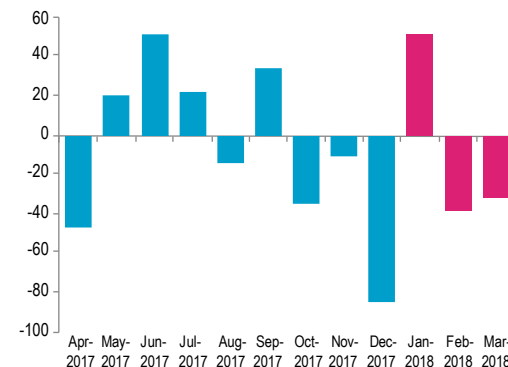
Worst Q1 for min vol/min var ETFs (-€318M)

Monthly net new assets on min vol/min var ETFs



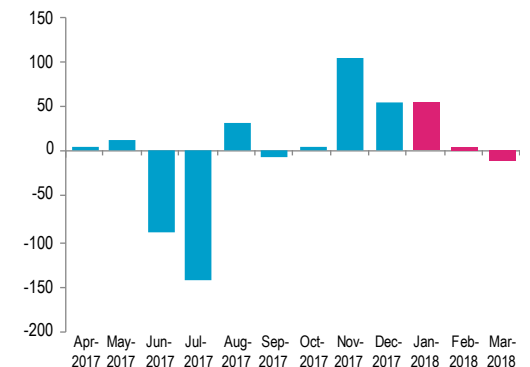
US risk based ETFs experienced negative flows in 2018

Monthly net new assets on risk based ETFs on US underlyings



Weak quarter for European risk based ETFs (€40M)

Monthly net new assets risk based ETFs on Europe underlyings



Sources: Monthly data in €M from 01/04/2017 until 30/03/2018, Bloomberg, Lyxor IAM

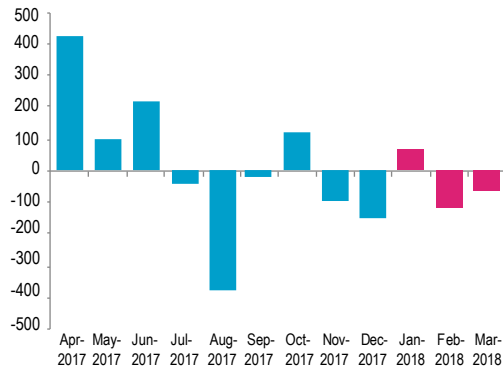
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Overview by strategy (cont'd)

Fundamental

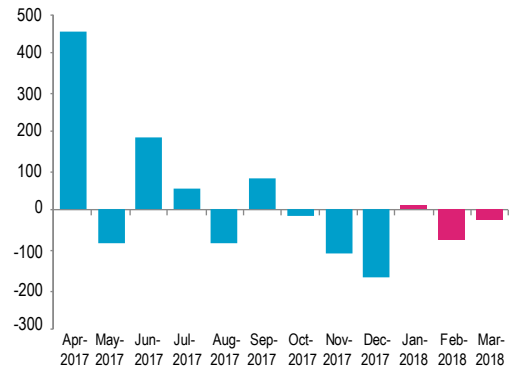
Fundamental ETFs experienced negative flows in Q1 (-€119M)

Monthly net new assets on fundamental ETFs



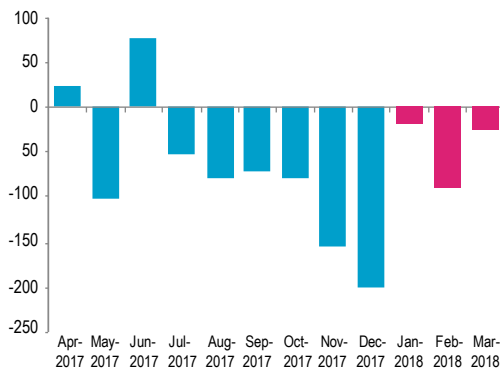
Worst Q1 for income generation ETFs (-€103M)

Cumulated monthly net new assets on income generation ETFs



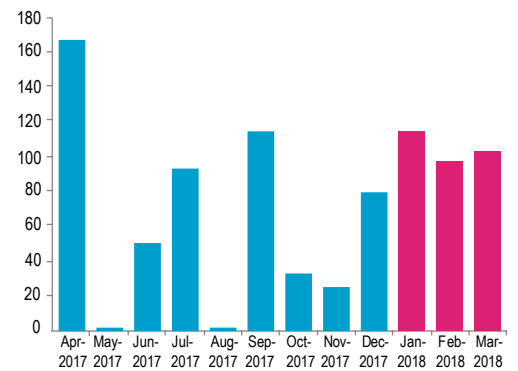
Weak quarter for US fundamental ETFs at -€129M

Monthly net new assets on fundamental ETFs on US underlyings



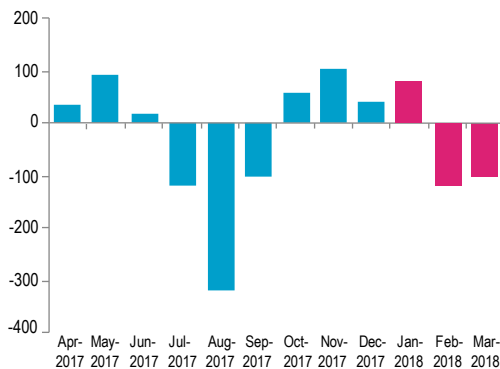
Strong quarter for European fundamental ETFs (€312M)

Monthly net new assets on Fundamental ETFs on Europe underlyings



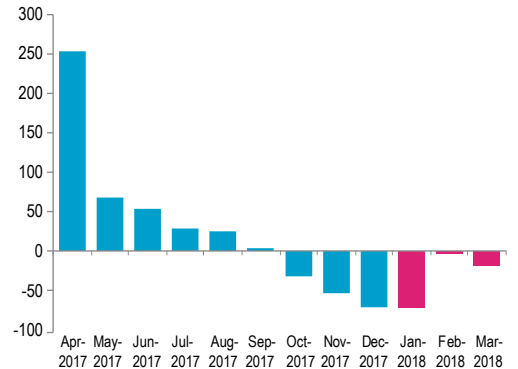
Fundamental Japan ETFs flows turned negative (-€152M)

Monthly net new assets on fundamental ETFs on Japan underlyings



A consecutive negative quarter for fundamental ETFs on global exposures (-€97M)

Monthly net new assets on fundamental ETFs on global underlyings



Sources: Monthly data in €M from 01/04/2017 until 30/03/2018, Bloomberg, Lyxor IAM

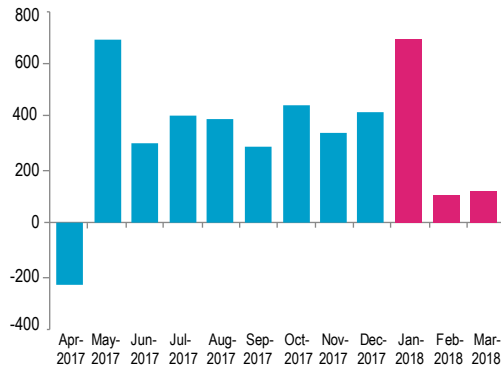
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Overview by strategy (cont'd)

Factor Allocation

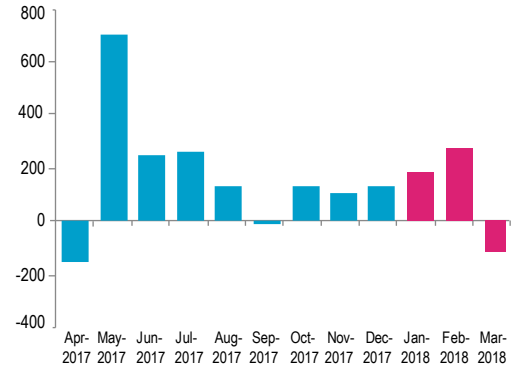
Slight decrease of factor allocation ETFs flows (€900M)

Monthly net new assets on factor allocation ETFs



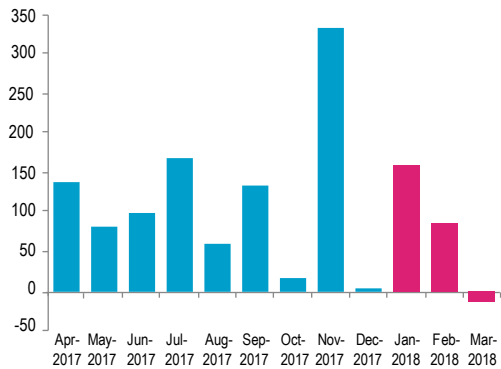
Positive flows into value factor ETFs at €335M

Monthly net new assets on value factor ETFs



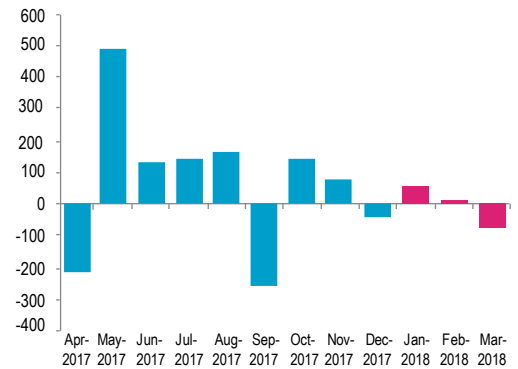
Positive quarter for US factor allocation ETFs with €234M of NNA

Monthly net new assets on factor allocation ETFs on US underlyings



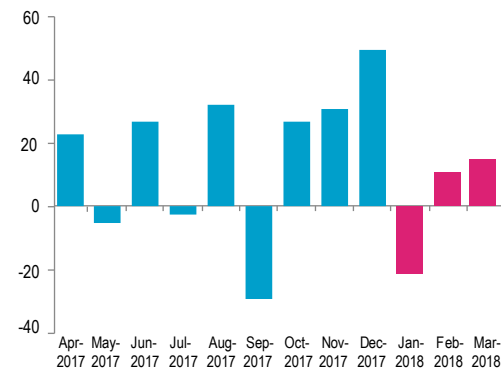
Outflows of €24M on European factor allocation ETFs

Monthly net new assets on factor allocation ETFs on Europe underlyings



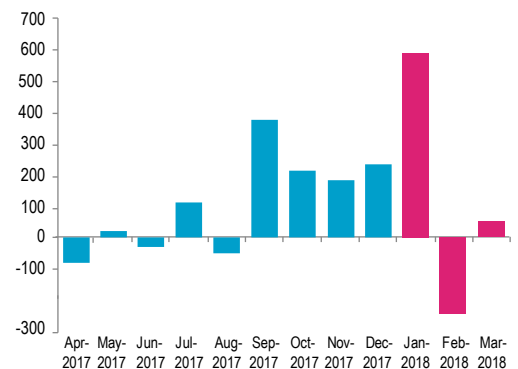
Virtually flat flows into quality factor ETFs

Monthly net new assets on quality factor ETFs



A consecutive strong quarter for multi-factor ETFs (€386M)

Monthly net new assets on multi-factor ETFs



Sources: Monthly data in €M from 01/04/2017 until 30/03/2018, Bloomberg, Lyxor IAM

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ETF Research Team



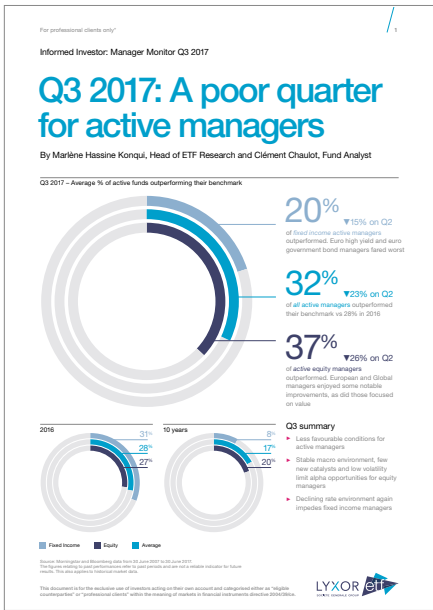
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performance
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Blending active and passive funds

Comparing 2016 performances and 2017 outlook

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