

Rebound reinforced for European Equity ETFs

Net new assets in the European ETF market more than doubled in September to €5.9bn from the €2.3bn we saw in August. Equities gathered the bulk of the inflows (€5.3bn) and are up significantly (+82%) since August. US equity ETFs again enjoyed the most significant gains (€2.5bn) but their Europe-focused counterparts confirmed their latest rebound with another strong month. Fixed income ETF inflows rebounded despite rising rates (€1.2bn), led by US treasuries (€759m). In contrast, commodity ETFs continued to suffer significant outflows (-€635m) on trade concerns.

What happened last month?

- ▶ ETF flows reached €5.9bn from €2.3bn
- ▶ YTD flows now stand at €37.9bn



Source: Monthly data in EURM from 01/09/2018 to 30/09/2018, Bloomberg, Lyxor.

The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

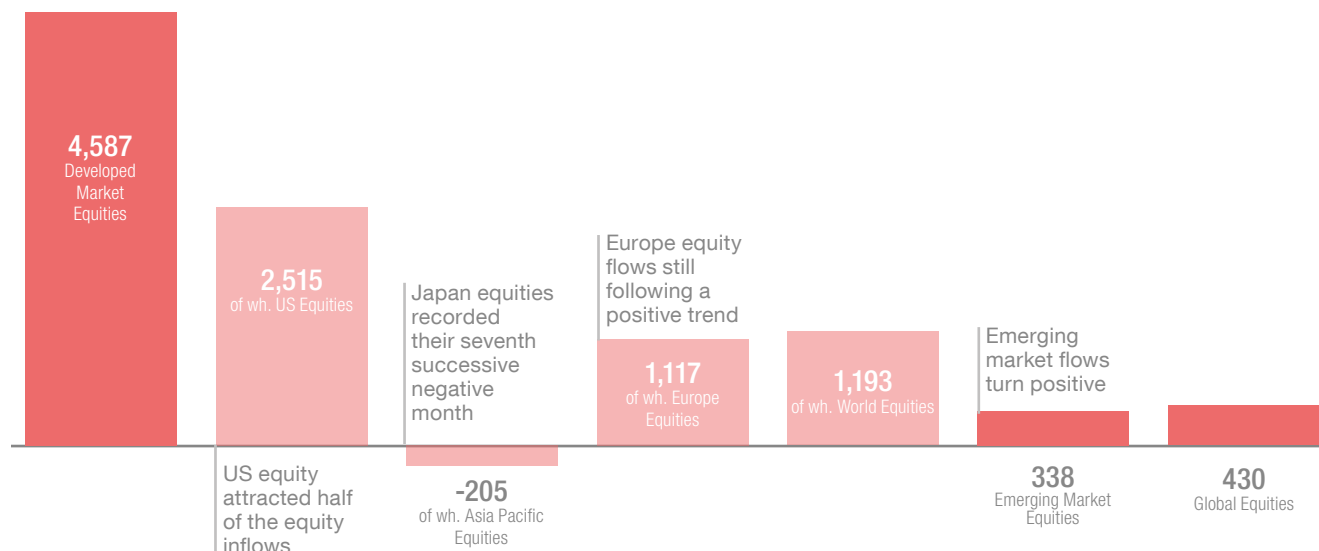
Note: This report is based on the data available on 01/07/2018. Asset and flow data may be slightly adjusted as additional data becomes available.

What were the major trends?

Equity inflows accelerated



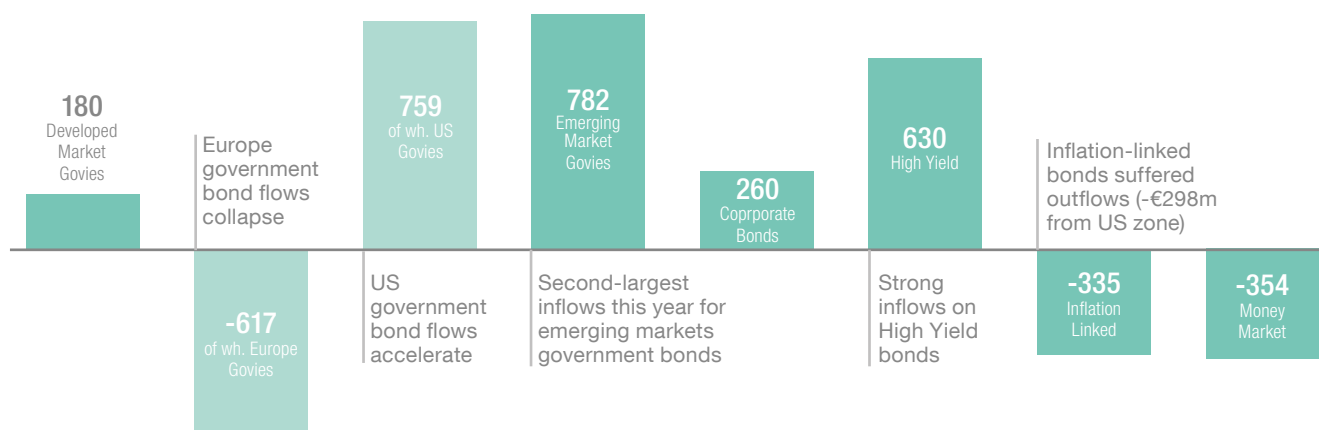
Monthly net inflows on European Equity ETFs



Fixed income flows rebounded



Monthly net inflows on European Fixed Income ETFs



Source: Monthly data in EURM from 01/09/2018 to 30/09/2018, Bloomberg, Lyxor.
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Special focus

Smart beta regains some popularity

Sentiment on smart beta may finally have turned. A net €1.4bn of flows entered smart beta ETFs last month – the largest inflows in two years. In fact, smart beta equity ETF flows represented more than half of the inflows into European equity ETFs and World equity ETFs. However, they still accounted for a very small part of US equity flows, because investing outside of the US demands more caution right now. Minimum volatility ETFs flows, in particular into World and Europe, have regained significant ground (€281m).

Risk-based, fundamental and factor allocation strategies enjoyed significant inflows simultaneously, which is something we rarely see. The first two enjoyed something of a rebound, while factor allocation strategies

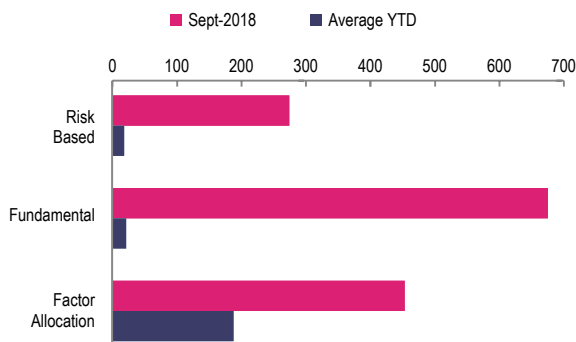


Massive inflows

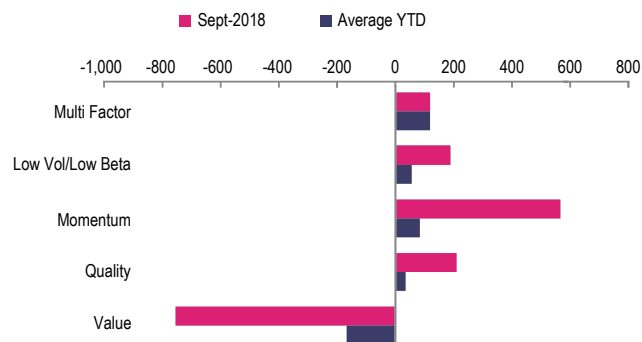
€1.4bn

continued their recent rally. Unlike other strategies, factor allocation inflows are diversified and supported by Momentum, Low Vol/Low Beta and Quality factor ETFs (+€612m, +€475m and +€284m respectively in Q3). This can be explained, at least in part, by the uncertain economic environment in Europe and the advanced phase of the economic cycle in the US. In such a context, Quality tends to outperform Value. Little wonder US Value ETFs suffered massive outflows in September (-€560m).

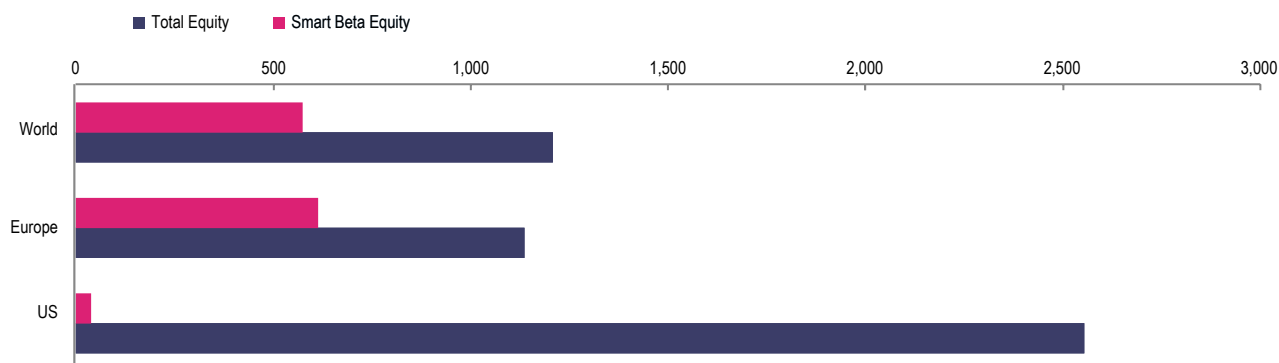
Style breakdown of YTD Smart Beta flows



Style breakdown of YTD factor allocation flows



YTD Equity flows by zone



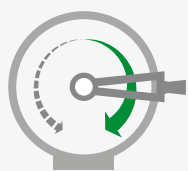
Source: Monthly data from 01/01/2018 to 30/09/2018, Bloomberg, Lyxor.
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What does it all mean?

Moderate inflows YTD, €8bn above 2016



ETFs on the rise

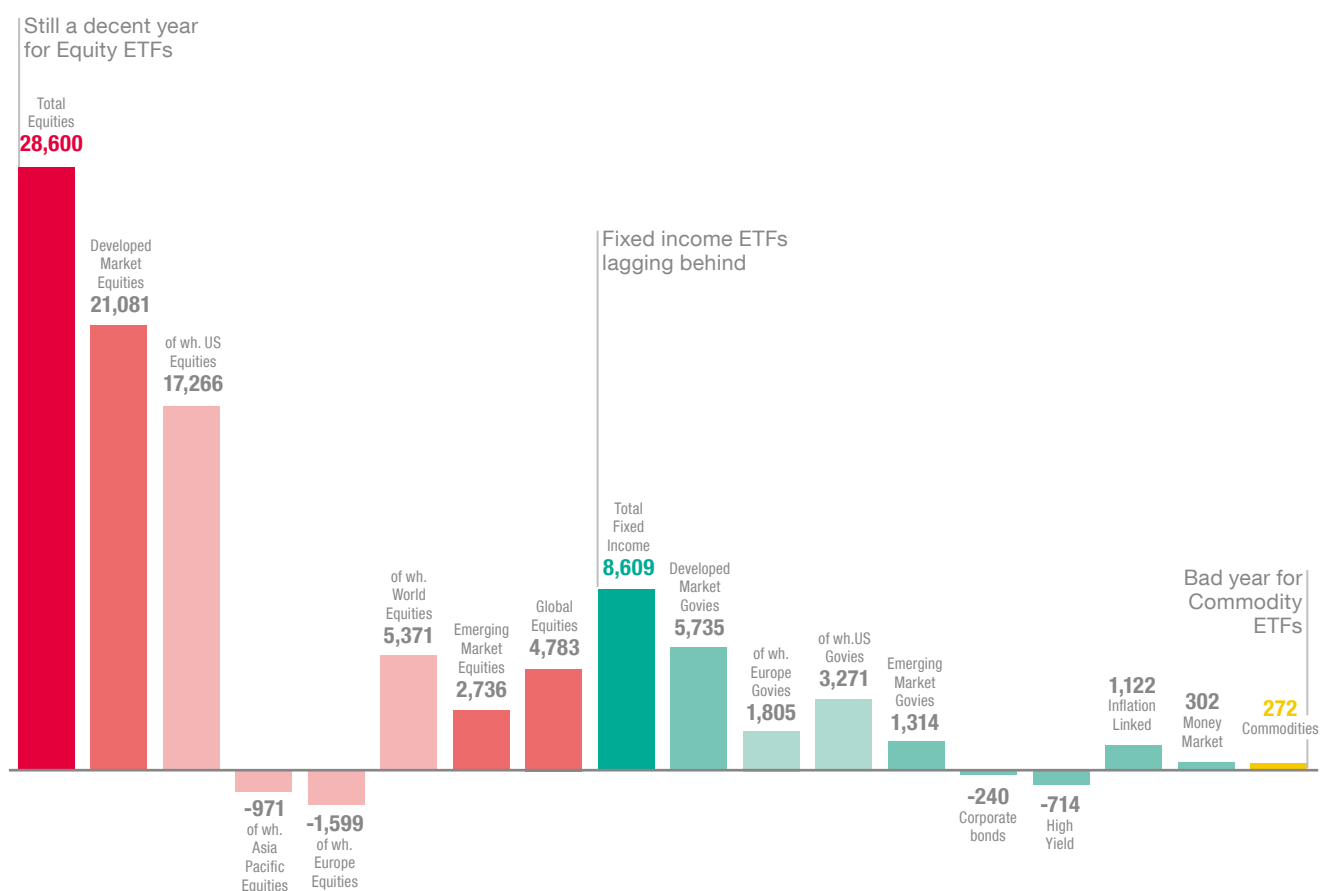
€37.9bn



Total AUM is up 7.6% since 2017

€692bn

YTD net Inflows on European ETFs by asset class



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Source: Monthly data in EURM from 01/01/2018 to 30/09/2018, Bloomberg, Lyxor.
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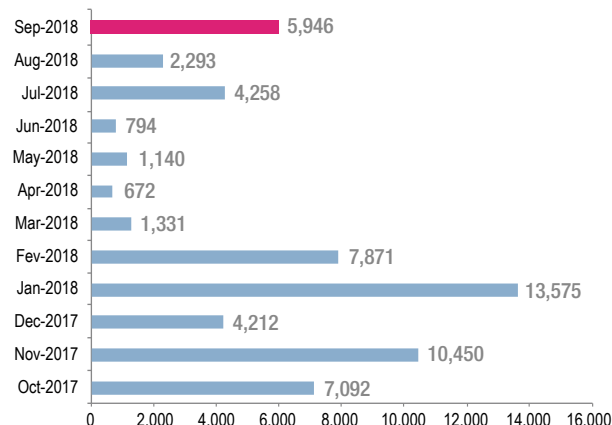
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Appendix: The month in numbers

European ETFs in September 2018 Net Inflows (EURm)

NNA reached €5.9bn from €2.3bn in August

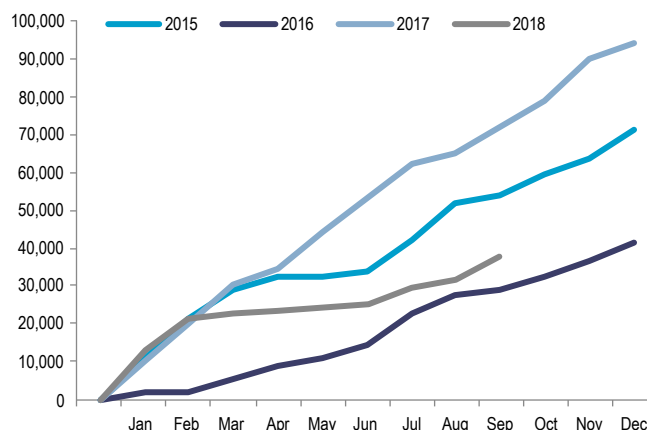
Monthly NNA on European ETFs



Total

Still a decent year for European ETFs

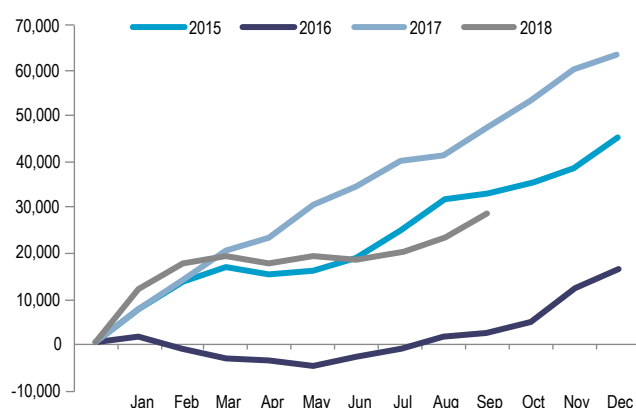
Cumulated monthly NNA on European ETFs



Equity

Still a good year for equity ETFs (€28.6bn YTD)

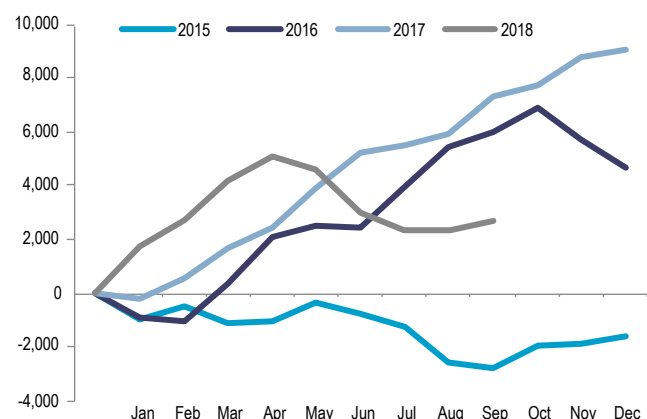
Cumulated monthly NNA on equity ETFs



Equity Emerging Market

Moderate inflows YTD for emerging markets equity ETFs

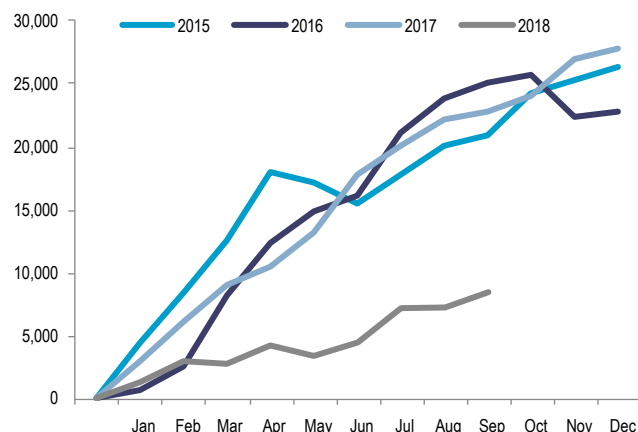
Cumulated monthly NNA on emerging market equity ETFs



Fixed income

Fixed income ETFs still lagging behind (€8.6bn)

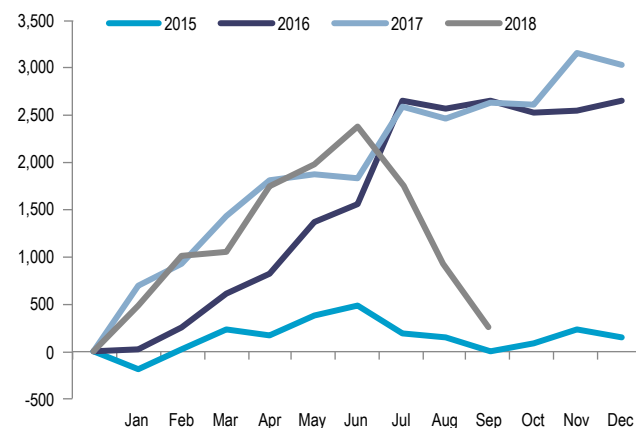
Cumulated monthly NNA on fixed income ETFs



Commodities

After their record H1, Commodities ETFs are losing it all

Cumulated monthly NNA on commodity ETFs



Source: Monthly data in EURm from 01/01/2015 to 30/09/2018, Bloomberg, Lyxor.
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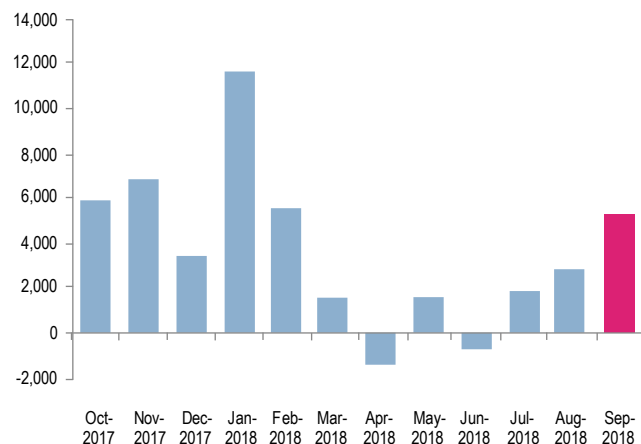
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Overview by asset class

Equity

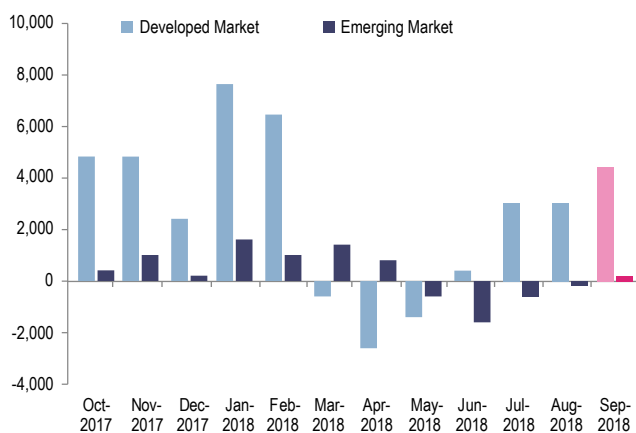
Equity inflows are still accelerating

Monthly NNA on equity ETFs



Developed market equities still outdo EM peers

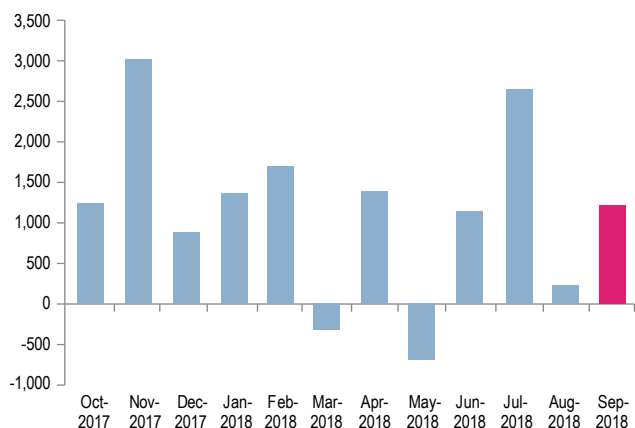
Monthly NNA on developed vs. emerging markets equity ETFs



Fixed Income

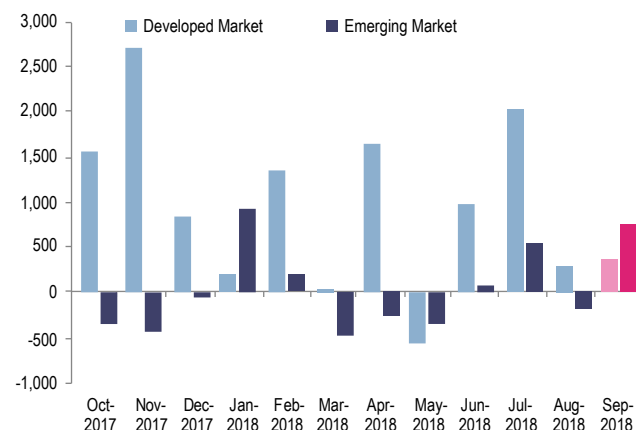
Significant inflows for Fixed Income ETFs (€1.2bn)

Monthly NNA on fixed income ETFs



EM bonds outdo DM peers for the first time since May

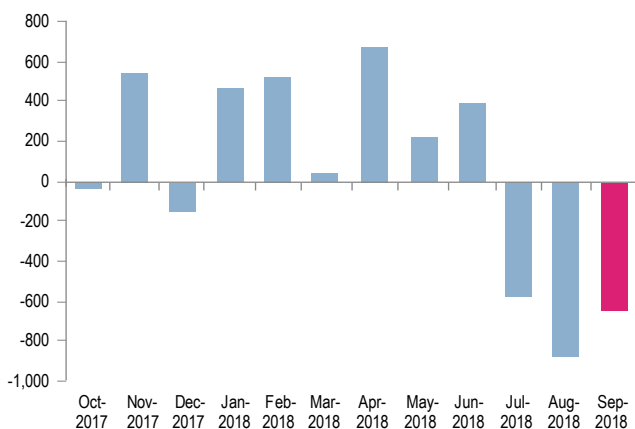
Monthly NNA on developed vs. emerging markets fixed income ETFs



Commodities

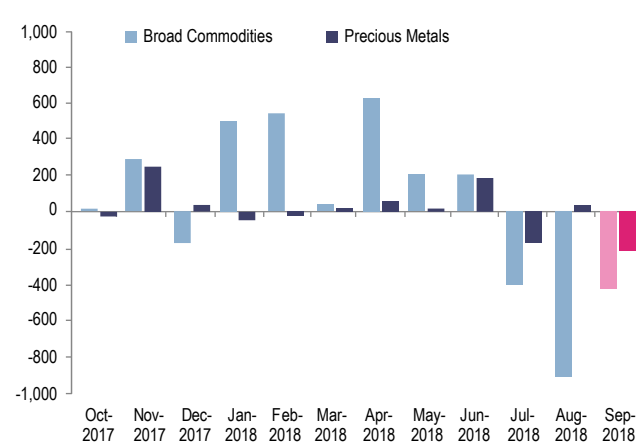
Still massive outflows from Commodity ETFs

Monthly NNA on commodity ETFs



All kinds of commodities have suffered these outflows

Monthly NNA on broad & precious metals ETFs



Source: Monthly data in EURM from 01/10/2017 to 30/09/2018, Bloomberg, Lyxor.
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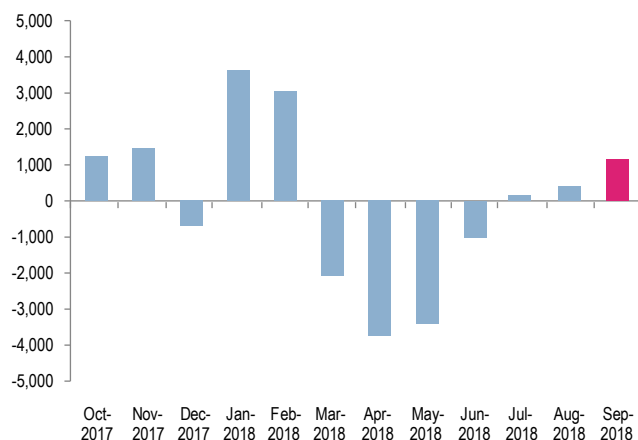
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Equities

European Equities

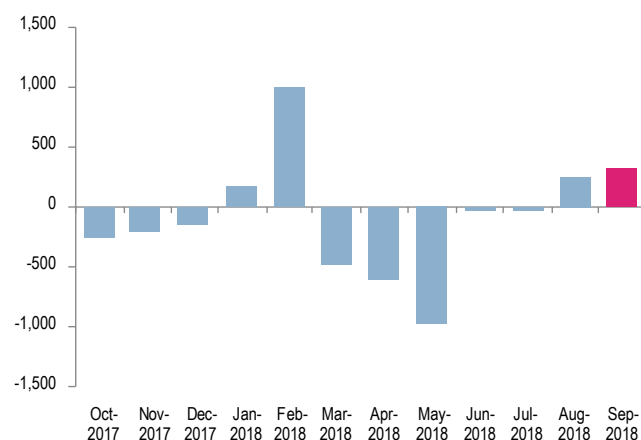
European equity inflows accelerate

Monthly NNA on European equity ETFs



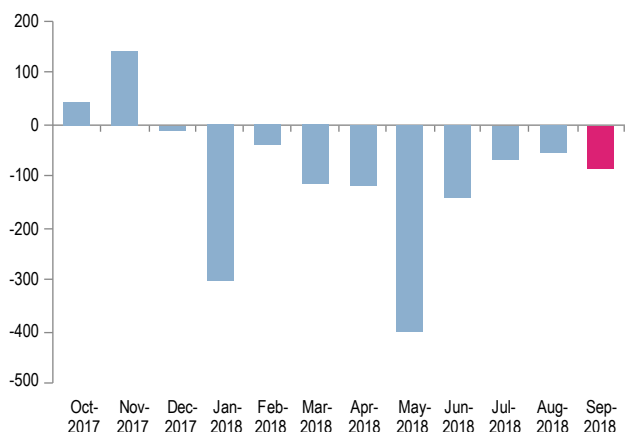
Second month of positive flows for German equity ETFs

Monthly NNA on German equity ETFs



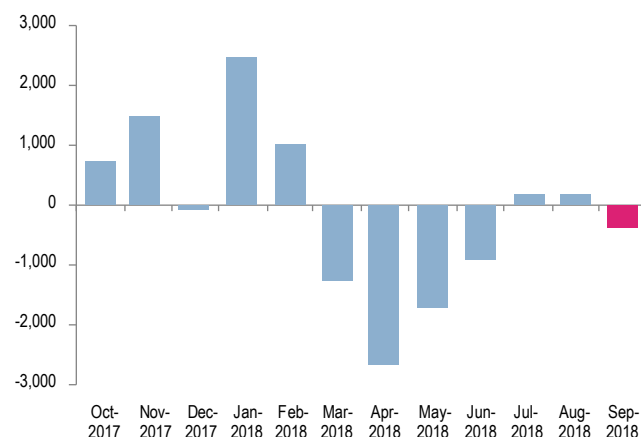
Tenth negative month in a row for Spanish and Italian equities

Monthly NNA on peripheral Europe equity ETFs



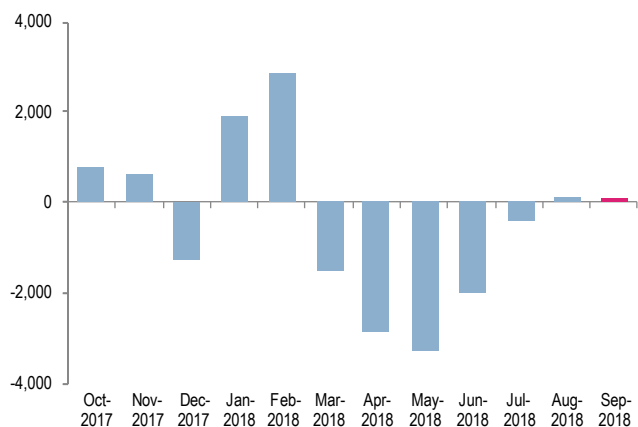
Flows on developed Europe equities turn negative

Monthly NNA on developed Europe region equity ETFs



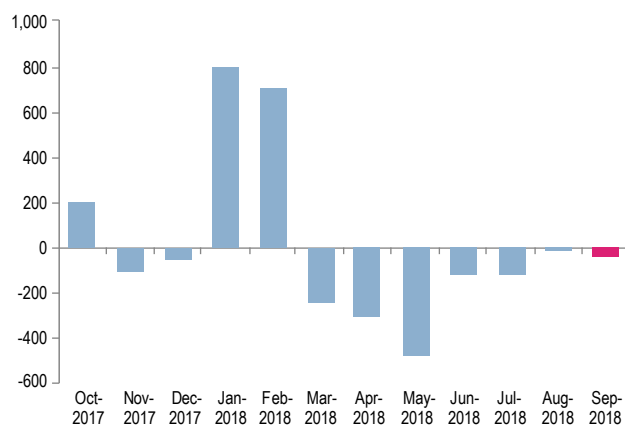
Second virtually flat month for Eurozone equities

Monthly NNA on Eurozone equity ETFs



Flows on financials remain negative (-€33M)

Monthly NNA on financials Europe equity ETFs



Source: Monthly data in EURM from 01/10/2017 to 30/09/2018, Bloomberg, Lyxor.
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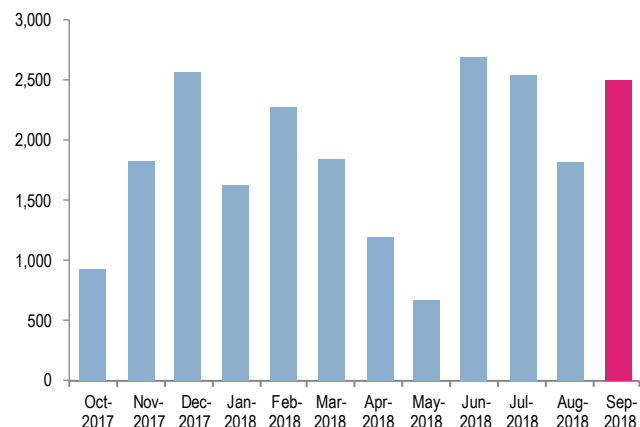
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Equities (cont'd)

US & Japan equities

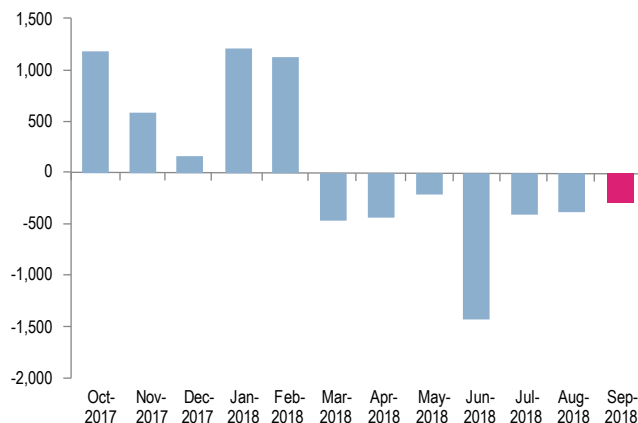
Still strong inflows on US equities

Monthly NNA on US equity ETFs



A seventh negative month for Japan equity ETFs

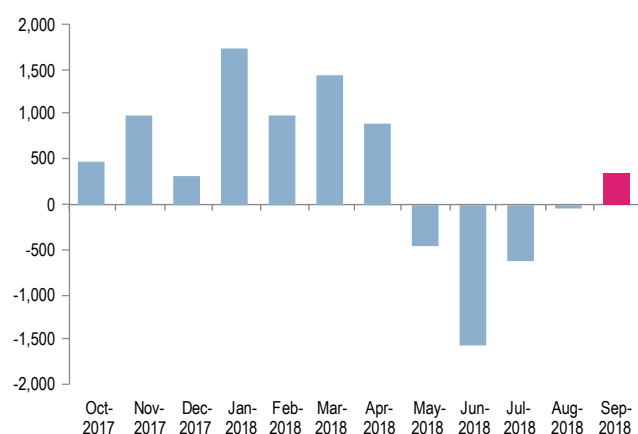
Monthly NNA on Japan equity ETFs



Emerging market equities

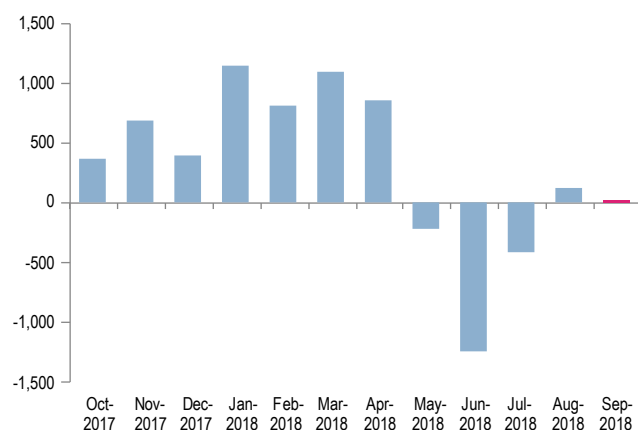
Emerging markets equities flows rebound slightly

Monthly NNA on emerging market equity ETFs



Virtually flat month for broad EM equity ETFs

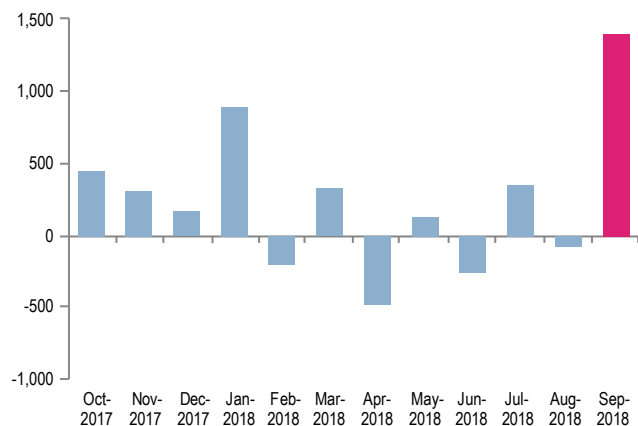
Monthly NNA on broad EM equity ETFs



Smart Beta / Value

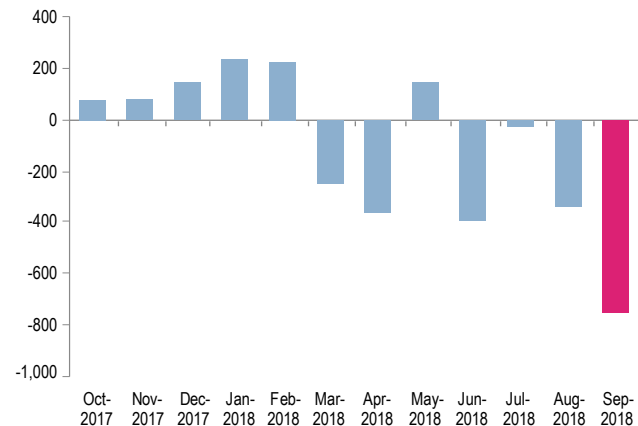
Best month for smart beta ETFs in 2 years

Monthly NNA on smart beta ETFs



Worst month ever for value style equity ETFs

Monthly NNA on value style equity ETFs



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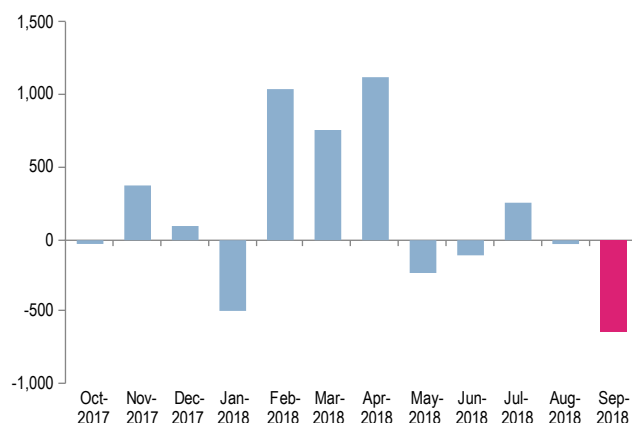
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Fixed Income

European Govies

Flows on EU government bonds collapse

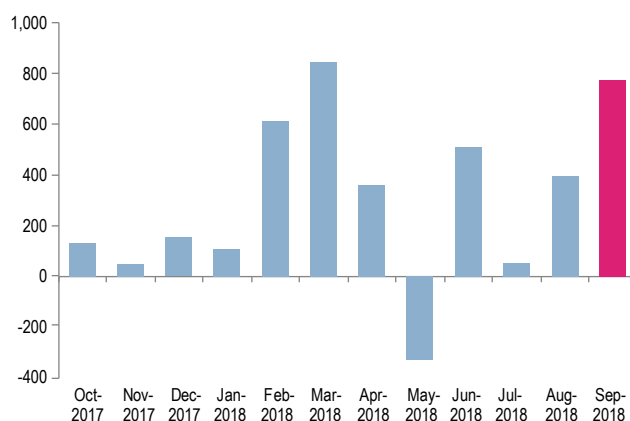
Monthly NNA on EU government bond ETFs



US Govies

Inflows into US government bond ETFs surge

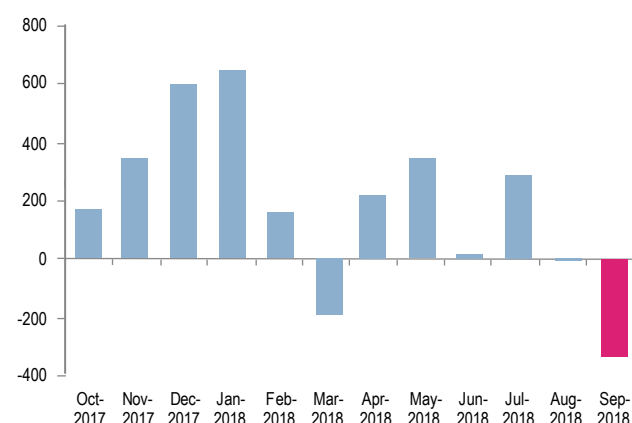
Monthly NNA on US government bond ETFs



Inflation Linked

Inflation-linked flows decline sharply

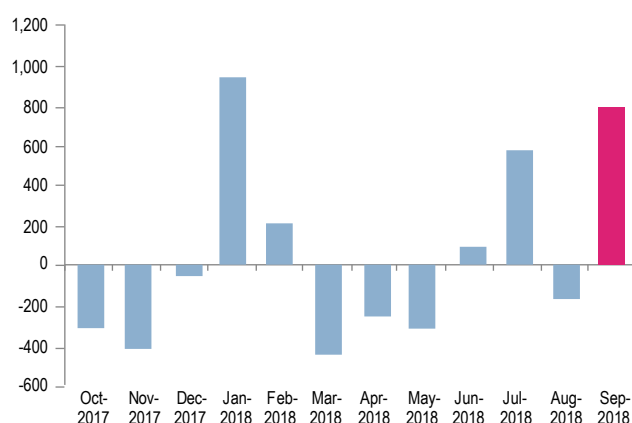
Monthly NNA on inflation-linked bonds ETFs



EM debt

Flows on emerging market debt rebound strongly

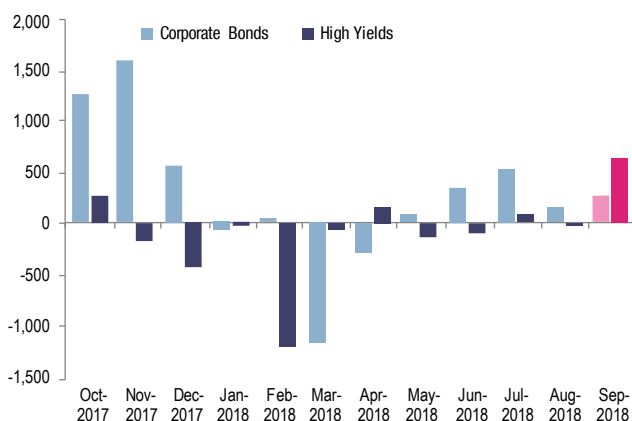
Monthly NNA on Emerging Market debt ETFs



Credit Market

High yield bonds outdo investment-grade peers

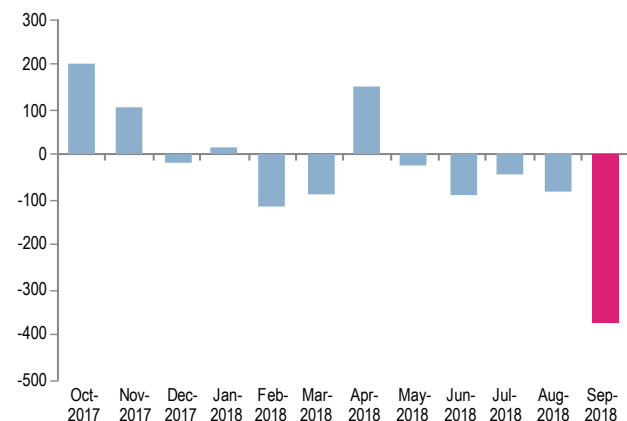
Monthly NNA on corporate & High Yield bond ETFs



Short Bond Strategy

Worst month ever for short bonds ETFs

Monthly NNA on short bond strategy ETFs



Source: Monthly data in EURM from 01/10/2017 to 30/09/2018, Bloomberg, Lyxor.
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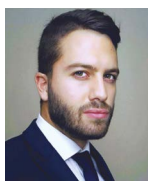
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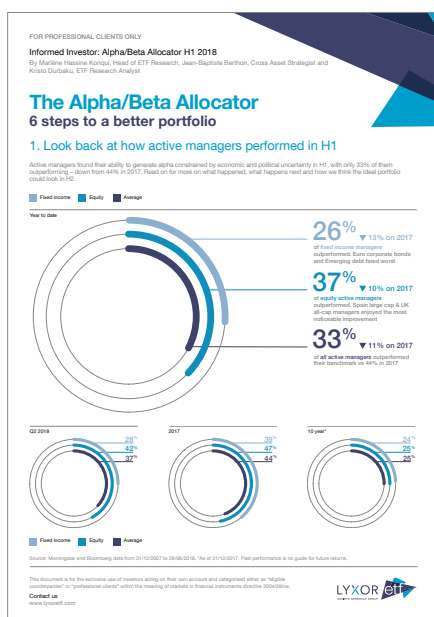
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