

GLOBAL ETP FLOWS

FEBRUARY 2023

- Flows moderate:** inflows into global ETPs moderate for a fifth consecutive month in February, with \$22.5B added with reduced buying across equities and fixed income.
- Cross-asset slowdown:** equity flows moderate from \$33.3B in January to \$8.5B in February, while fixed income (FI) buying also moderated from \$28.6B in January to \$12.8B in February.
- Commodities stay the course:** commodity flows held relatively steady at \$0.8B, for a second consecutive month of inflows.

Europe shines amid slowing flows

Outflows from US equity ETPs (-\$5.5B) continued across listing regions for a second consecutive month – the first time this has happened since February–March 2018. While US investors again looked beyond domestic exposures, US-listed equity allocations didn't flow into emerging markets (EM, \$0.6B), in contrast to January trends. US-listed inflows into European equities continued, however, in line with global flow trends.

European exposures were the largest equity allocation in February, with \$6.3B of inflows, following the \$7.3B added in January. Investors have been late to this trade: Q4 saw three months of outflows from European equities (-\$1.9B), contributing to last year's record -\$17B of outflows.

US-listed ETPs accounted for 56% of European equity flows in February and 72% in January, putting them on track for the best quarter since Q2 2021 – although US-listed money doesn't tend to be sticky.

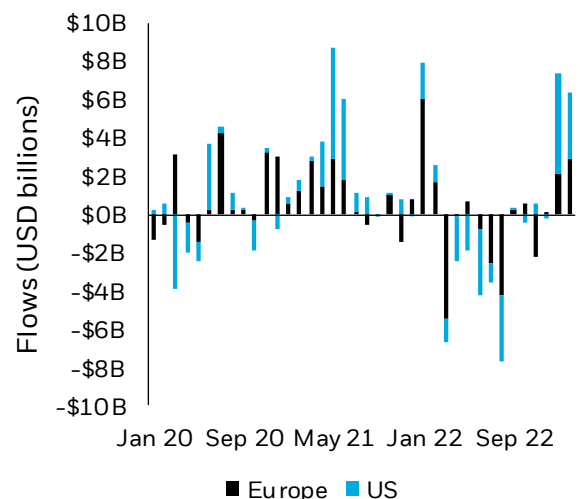
Conviction sharpens in short duration

Credit flow momentum unwound in February, with -\$1.6B out of global investment grade (IG) ETPs and -\$6.7B out of high yield (HY). Rates flows drove the buying in FI, increasing MoM to \$10.9B, dominated by US Treasury exposures – a trend that didn't carry over to EMEA-listed rates ETPs. The shift out of FI risk also came through in outflows from EM debt ETPs (-\$1.5B).

The shift out of credit was less prevalent among EMEA-listed FI ETPs, with \$1.0B added to EMEA-listed IG. This included \$0.7B into euro IG, led by short-duration exposures – in contrast to January, when full duration gathered the majority of flows. HY also notched up \$0.2B of inflows, for a fifth consecutive inflow month.

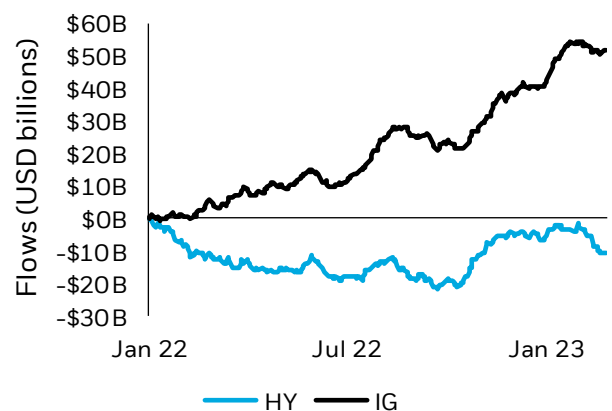
Crossing the Atlantic

Monthly flows into European equity ETPs, split by listing region, Jan 2020–Feb 2023



Divergence in credit

Cumulative flows into HY and IG ETPs, January 2022 – February 2023



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Barbell at play in precision

The financials sector notched up its first significant inflow month since October, with \$1.4B added in February, up from flat flows in January. This came alongside inflows into industrials (\$0.5B) and technology (\$0.8B); in contrast, energy (-\$1.8B) suffered its largest outflow month since July.

The healthcare sector is now on a three-month outflow streak, with a further net sell of -\$1.4B in February. Given net inflows of \$50.2B into global healthcare ETPs from 2020-2022, YTD outflows of -\$3.3B are a long way from fully unwinding positioning. The majority of outflows this year have come out of US healthcare ETPs.

The shift out of defensively-tilted equity exposures is also highlighted by continued outflows from minimum volatility factor ETPs: a further -\$3.7B flowed out in February, following January's net sell of -\$3.9B. Investors have been consistently adding to value ETPs for five months, and this continued into February with \$1.1B of inflows.

Sustainable flows tick up

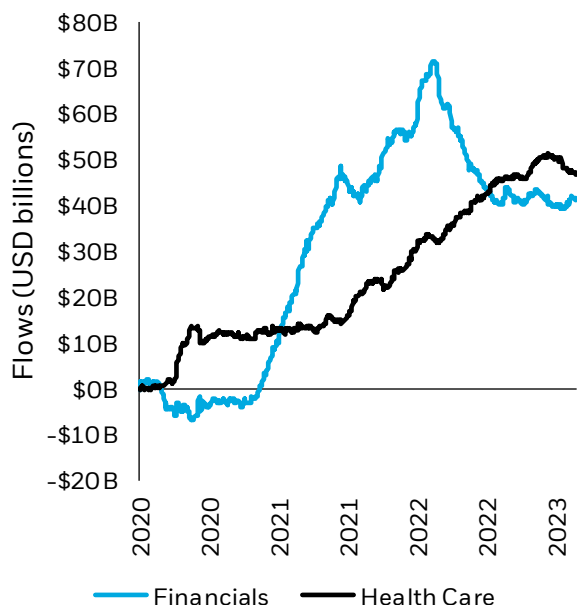
Sustainable ETP flows in February remained in line with January levels, with \$5.7B added across US- and EMEA-listed exposures. In Europe, inflows slowed at a headline level, with \$4.1B added vs. \$5.7B previously—mostly due to lower flows in the fixed income space, across all strategies. US-listed exposures, in contrast, saw flows rise to \$1.5B in February vs. -\$800m in January.

Within Europe, equities accounted for the majority of sustainable ETP flows (\$3B), mainly driven by ESG best-in-class (\$1.5B) and ESG screened strategies (\$1.2B). On a regional basis, EM exposures (\$1.6B) saw the strongest inflows, driven by ESG best-in-class strategies, followed by European exposures (\$900m), led by screened strategies. Fixed income flows in Europe totalled \$1.1B, a slowdown from the previous month's elevated levels, but in line with February 2022. The majority of fixed income flows went into ESG best-in-class strategies (\$800m), led by eurozone exposures.

In the US, February flows returned to positive territory after two months of outflows. Inflows were split equally between equities (\$758m) and fixed income exposures (\$783m). Inflows into both asset classes were driven by ESG tilt and ESG best-in-class strategies. Most of the flows went into US exposures (\$1.2B).

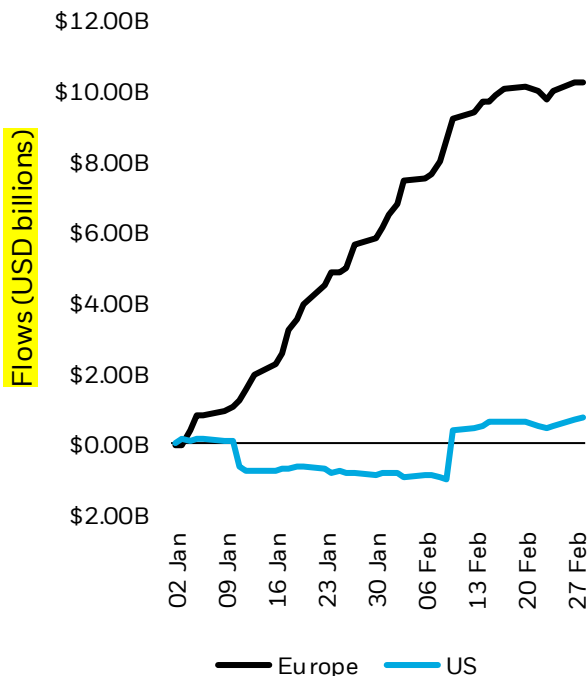
Health check

Cumulative flows into healthcare and financials ETPs, January 2020–February 2023



Sustained interest

Cumulative flows into European and US-listed sustainable ETPs, February 2023



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