

# Informed Investor: Money Monitor

## A look back at European ETF market flows last month

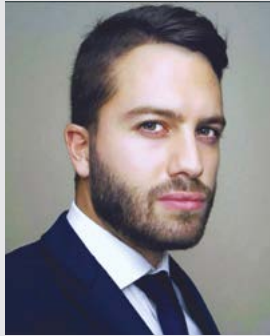
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May 2019  
Lyxor ETF Research



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## Informed Investor: Money Monitor May 2019

By Marlene Hassine Konqui, Head of ETF Research and Kristo Durbaku, ETF Research Analyst

# European ETF flows still slowing

Net new assets in the European ETF market slowed again in May to €1.8bn from the €3.7bn we saw in April.

This was largely due to a significant decrease in fixed income ETF inflows (€0.5bn from €4.1bn). Equity ETFs experienced some very modest outflows (€-15m).

Meanwhile, flows into commodity ETFs were very slightly positive and very similar to those we saw in April (€46m). Smart beta ETFs collected €0.4bn.

The biggest winners for May were ESG ETFs. They collected €0.9bn inflows, driven by broad strategies.

### What happened last month?

- ▶ ETF flows dropped to €1.8bn from €3.7bn
- ▶ A weaker month for fixed income
- ▶ An almost flat month for equities

↑ €1.8bn



Modest outflows for **equities**

-€15m



Fixed income flows weaken

€454m



Commodity flows still slightly positive

€49m



Positive trend continues for **smart beta**

€408m



ESG ETFs win out in May

€897m

### How does the YTD picture look?

- ▶ ETF flows started the year strongly, but are now slowing
- ▶ Fixed income, smart beta and ESG ETFs lead the way

↑ €32.1bn



Equity ETFs are this year's laggards

€2.2bn



Still best ever start to a year for **fixed income**

€21.6bn



Negative year so far for **commodities**

-€237m



Strong start for **smart beta**

€4.8bn



Record start to a year for **ESG**

€3.6bn

Source: Monthly data in EURM from 01/01/2019 to 31/05/2019 Bloomberg, Lyxor International Asset Management.

Note: This report is based on the data available on 31/05/2019.

Asset and flow data may be slightly adjusted as additional data becomes available.

All categories are exclusive and sum up to the total market flows.

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## Special focus

# ESG investing is having an impact

YTD inflows

€3.6bn

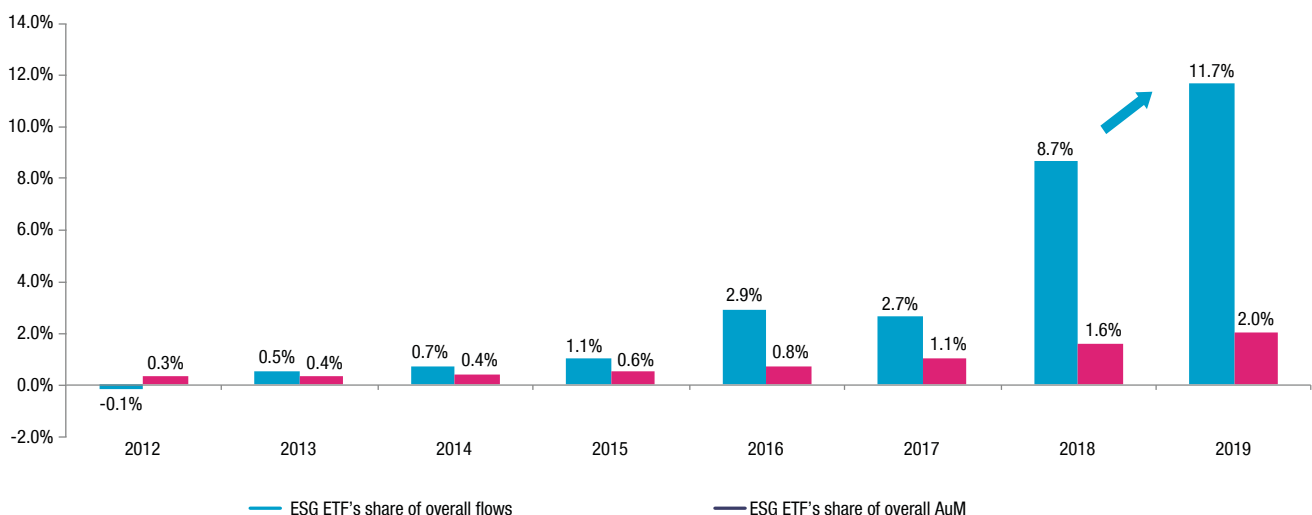
More than €897m flowed into ESG ETFs in May 2019, helping them achieve their second best month ever. They also made up just under 50% of the market's total net inflows for May. YTD flows are already approaching the total inflows for the category we saw in 2018 (€3.6bn vs. €4.0bn). Broad ESG products gathered almost all of the inflows and, at the end of the month, accounted for around 12% of all European market flows YTD – despite only representing 2% of all assets under management (see graph below).

In our view, investors are more deeply integrating environmental, social, and governance into their investment processes and

are seeking to make a measurable, sustainable impact alongside generating a financial return. For an increasing number of investors, the two are inextricably interlinked.

For now, that integration is voluntary but it may become more systematic in time. We believe ESG ETFs will benefit from the greater general awareness of the environmental challenges we all face and the regulations that will increasingly be used to address them. Small steps have already been taken. For example, the EU's action plan for "Financing Sustainable Growth" (released in May 2018) encourages shareholders to integrate sustainability considerations into their investment decision-making processes.

ESG ETFs share of overall flows and AuM



Source: Lyxor ETF, Bloomberg data from 01/01/2012 to 31/05/2019.

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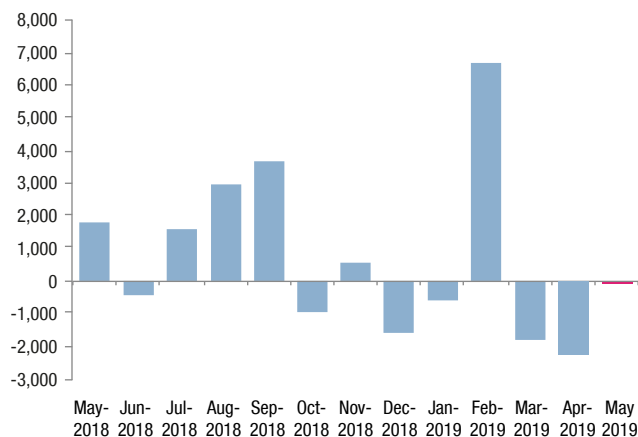
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# Modest outflows for equities

⬇️ -€15m

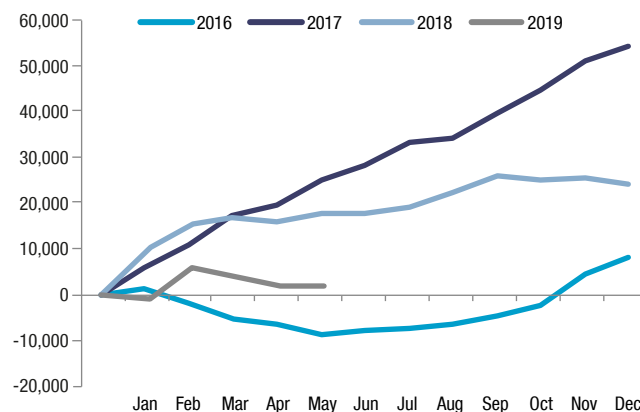
## Little interest in equity ETFs

Monthly NNA on equity ETFs

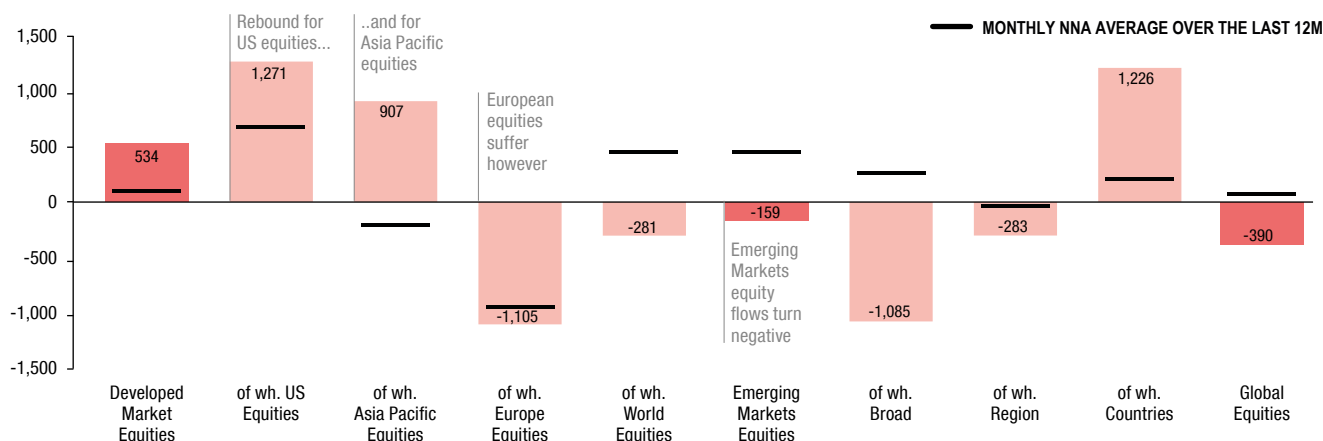


## Equity ETFs still lagging behind

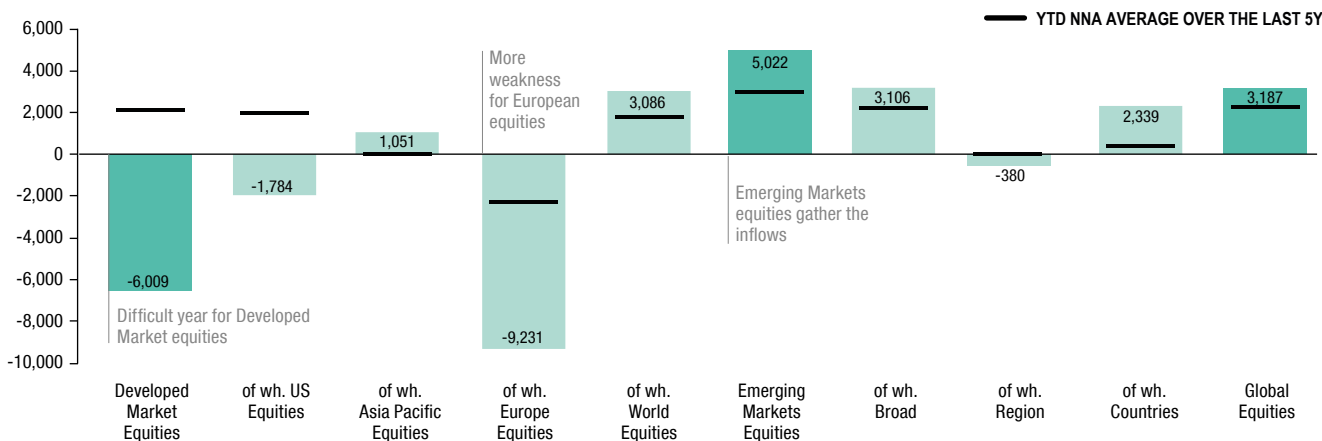
Cumulated monthly NNA on equity ETFs



## Monthly net inflows on equity ETFs in Europe



## YTD net inflows on equity ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/05/2019, Bloomberg, Lyxor International Asset Management.

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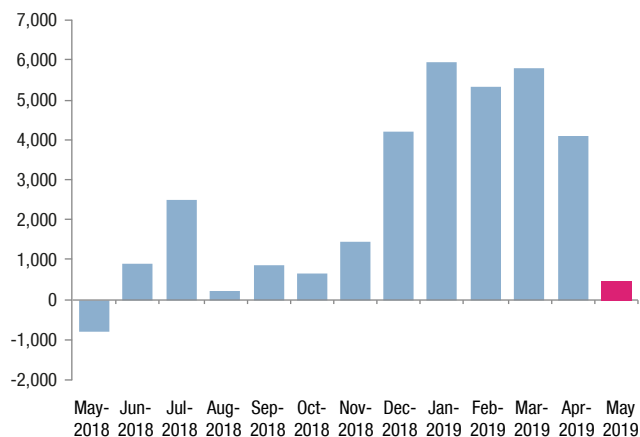
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# Fixed income flows weaken

↑ €454m

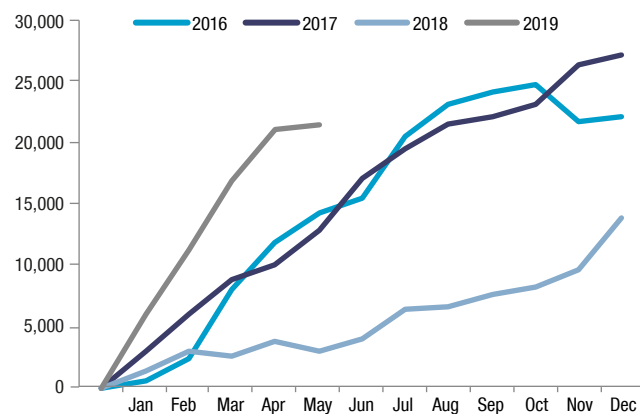
## Fixed income flows collapse

Monthly NNA on fixed income ETFs

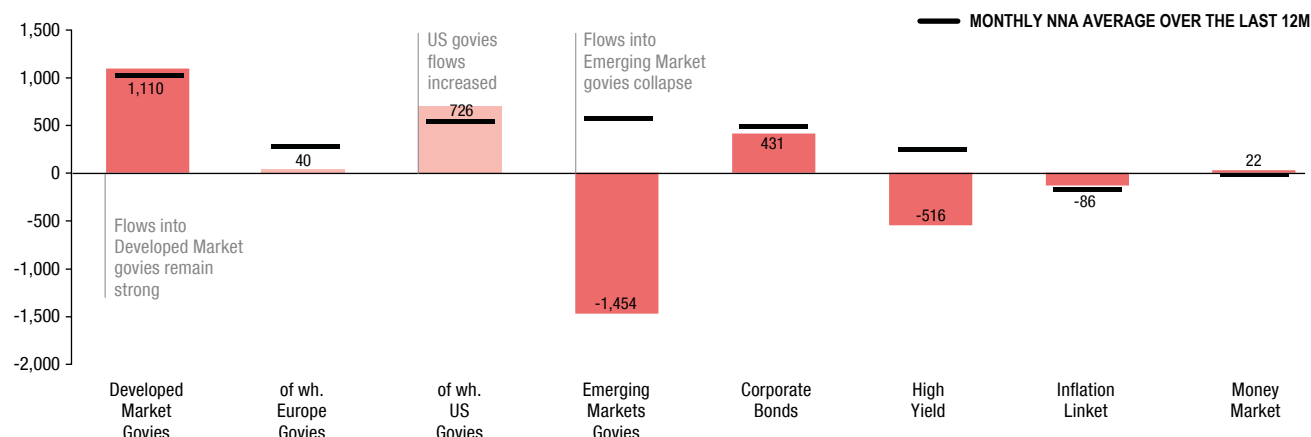


## Still the best start to a year ever for fixed income

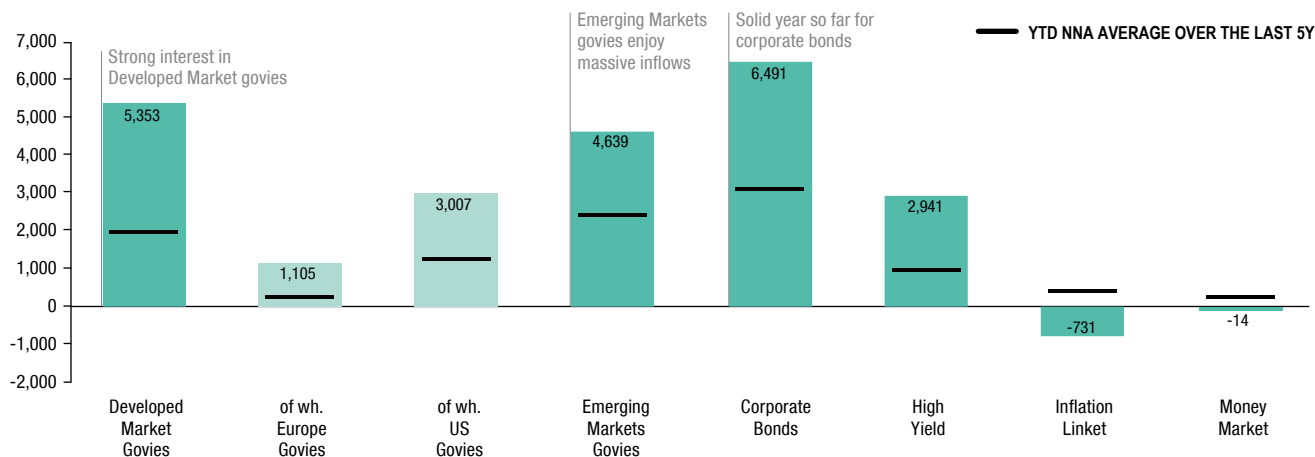
Cumulated monthly NNA on fixed income ETFs



## Monthly net inflows on fixed income ETFs in Europe



## YTD net inflows on fixed income ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/05/2019, Bloomberg, Lyxor International Asset Management.

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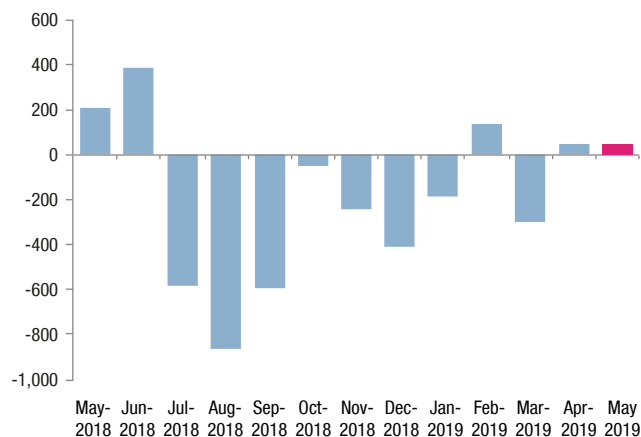
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# Commodity flows still slightly positive

↑ €49m

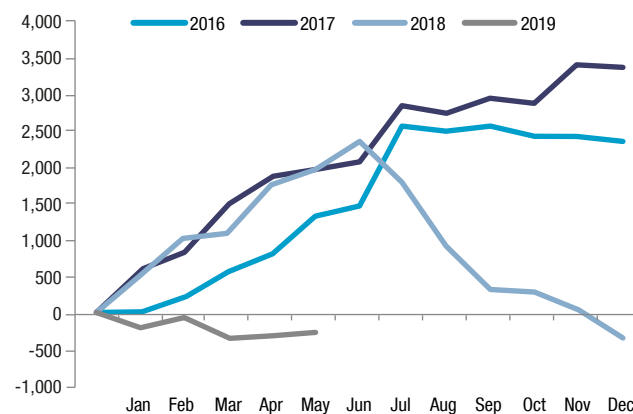
## A second slightly positive month for commodities

Monthly NNA on commodity ETFs

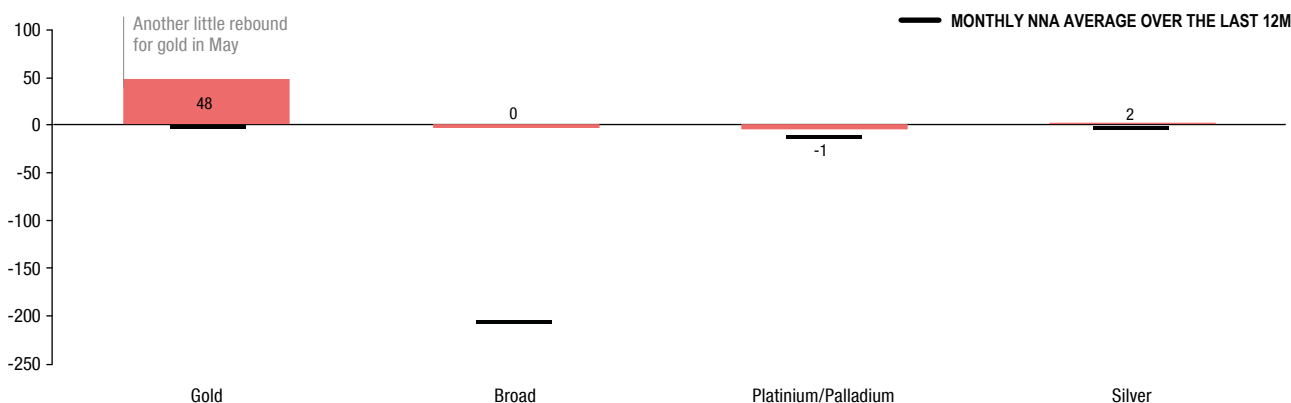


## Still a negative start to a year for commodities

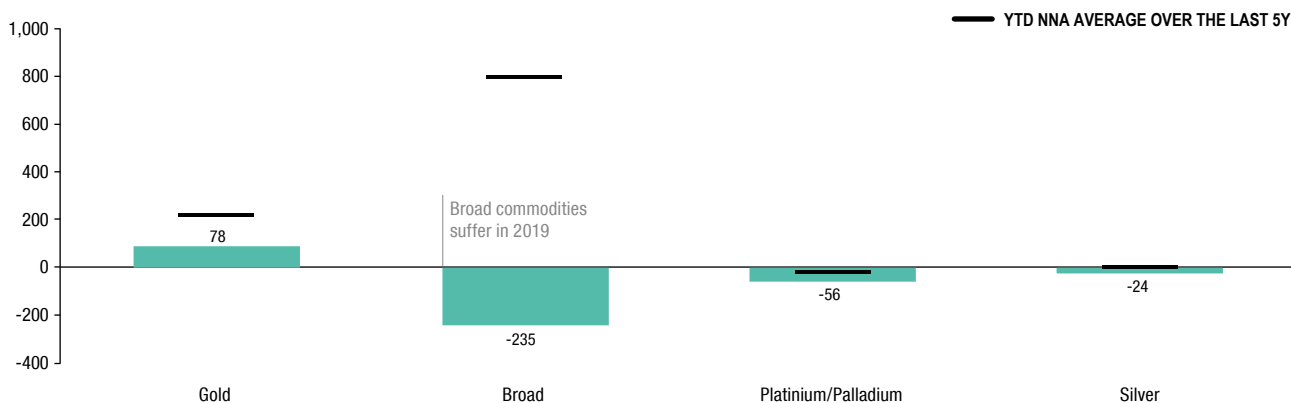
Cumulated monthly NNA on commodity ETFs



## Monthly net inflows on commodity ETFs in Europe



## YTD net inflows on commodity ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/05/2019, Bloomberg, Lyxor International Asset Management.

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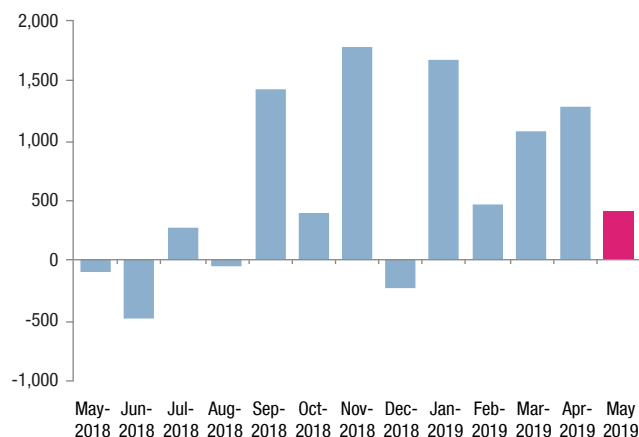
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# Positive trend continues for smart beta

↑ €408m

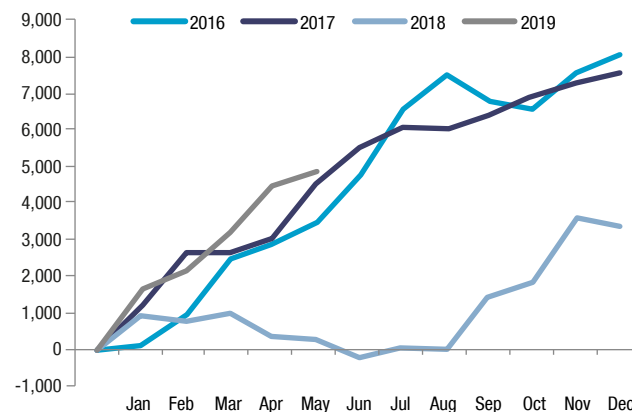
## Flows into smart beta ETFs are still positive

Monthly NNA on smart beta ETFs

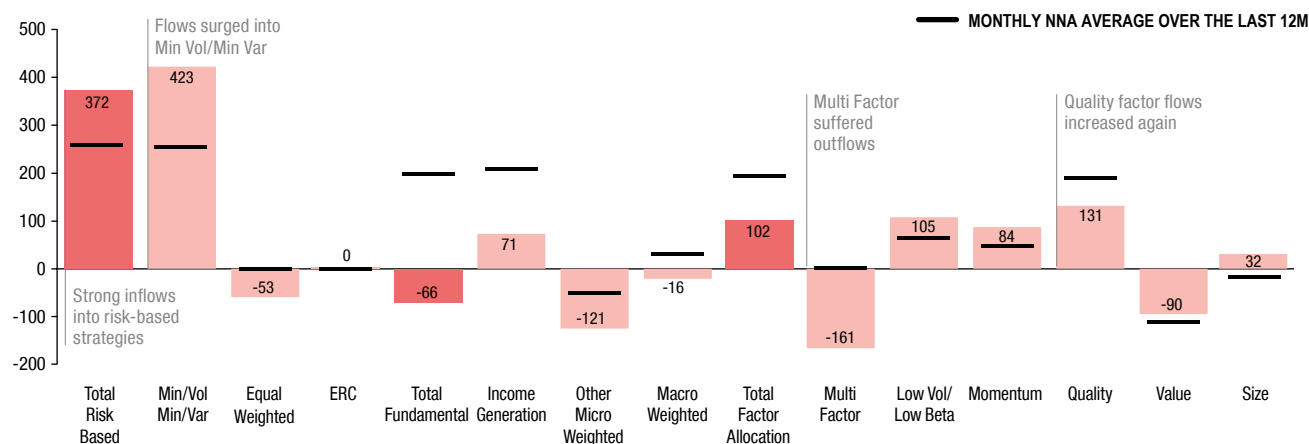


## Best start to a year for smart beta

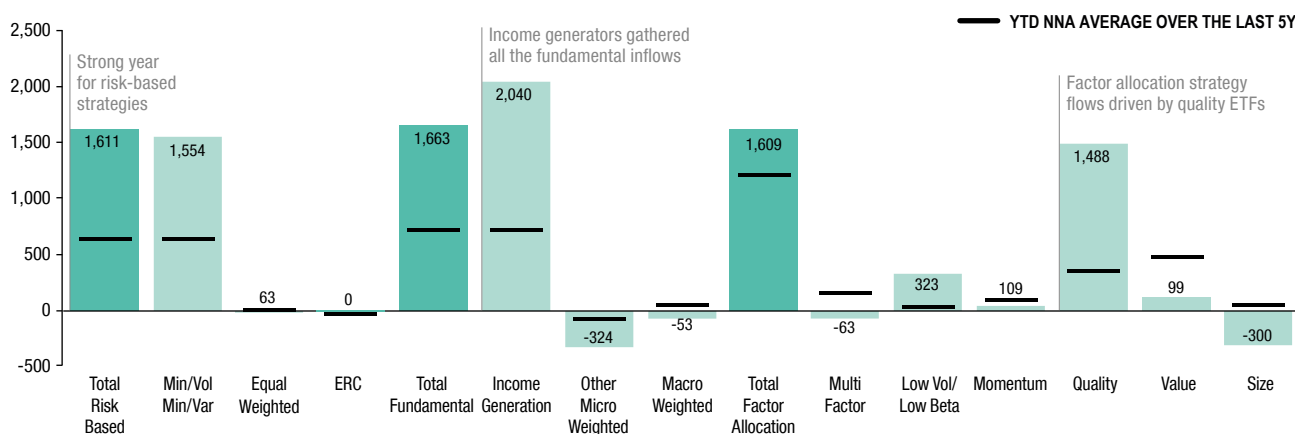
Cumulated monthly NNA on smart beta ETFs



## Monthly net inflows on smart beta ETFs in Europe



## YTD net inflows on smart beta ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/05/2019, Bloomberg, Lyxor International Asset Management.

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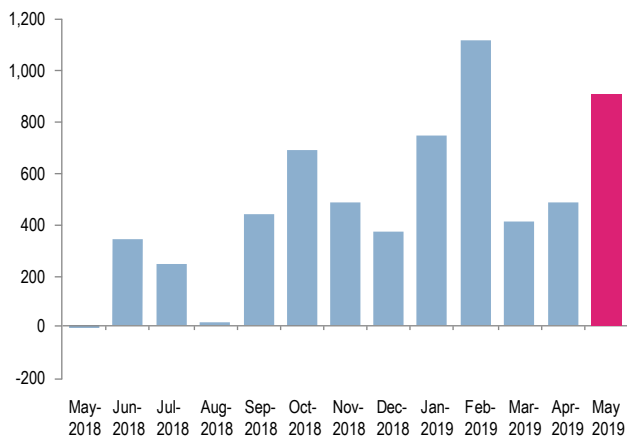


# ESG ETFs win out in May

↑ €897m

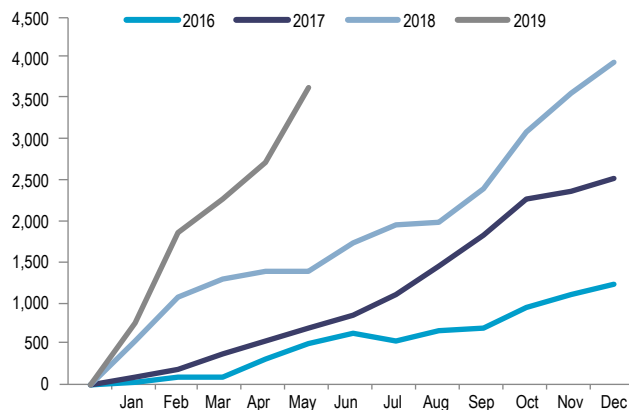
## Another strong month for ESG ETFs

Monthly NNA on ESG ETFs

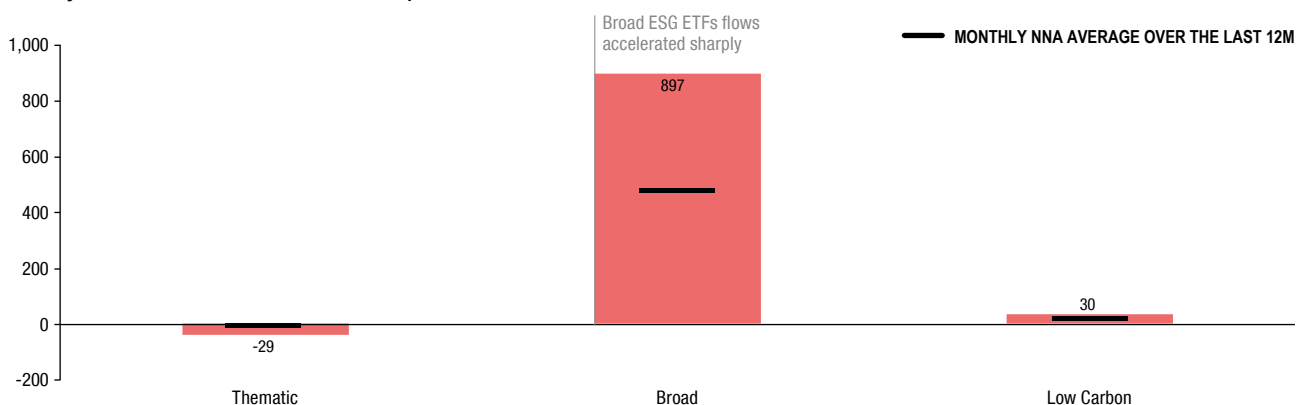


## Best start to a year ever for ESG ETFs

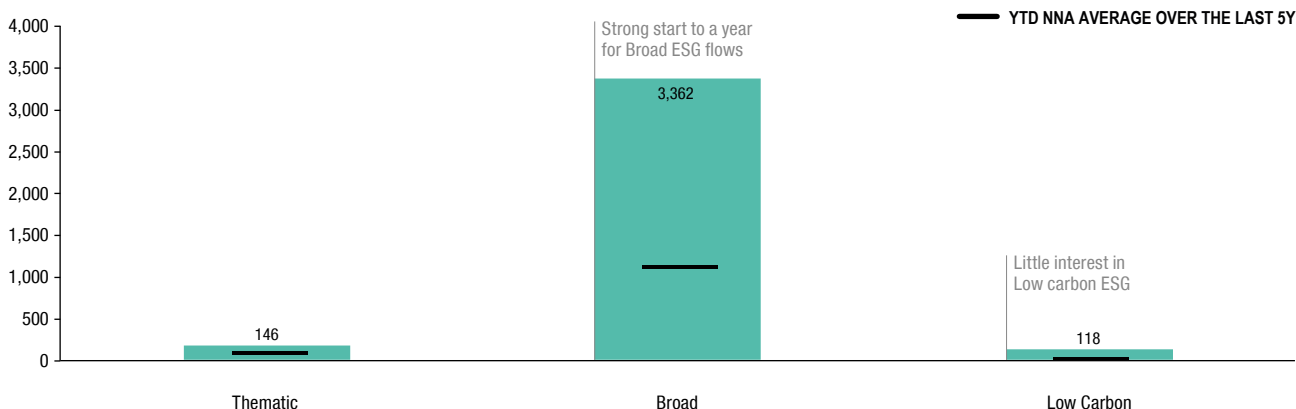
Cumulated monthly NNA on ESG ETFs



## Monthly net inflows on ESG ETFs in Europe



## YTD net inflows on ESG ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/05/2019, Bloomberg, Lyxor International Asset Management.

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# Dive deeper

Check out our quarterly and annual reports, they dive deeper into the numbers that matter, and help to tell the story of what might have driven these results.

Check out the  
Alpha/Beta Allocator Q1 2019

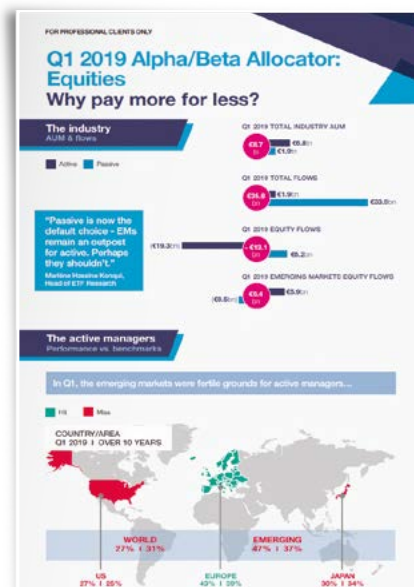
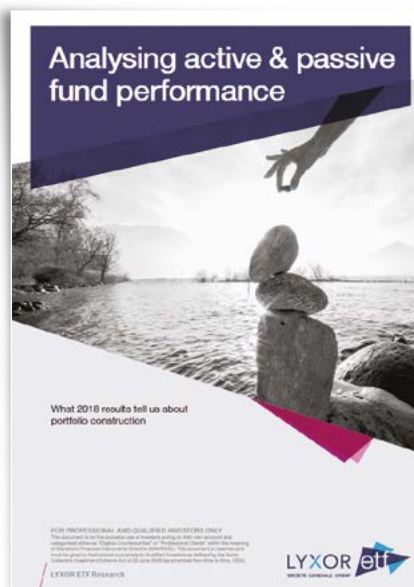
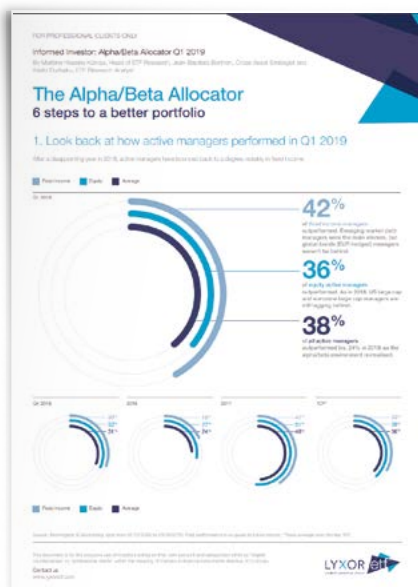
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on active and passive  
performance

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allocation perspective-Q1 2019

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### Capital at risk

The capital invested is not guaranteed.

### Replication risk

The fund objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

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