

BLACKROCK GLOBAL ETP LANDSCAPE

AUGUST 2015

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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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ETP FLOWS CLIMB TO NEW YEAR-TO-DATE RECORD HIGH

- ▶ Global ETPs gathered \$17.2bn in August driven by non-U.S. developed markets equity and fixed income as concerns over flagging global growth returned and market volatility increased
- ▶ Demand held up for non-U.S. developed markets equity driven by pan-European exposures with \$6.2bn, Japan Equity with \$5.0bn and EAFE funds with \$1.2bn
- ▶ Investors redeemed (\$7.4bn) from emerging markets equity funds amid a bout of market volatility spurred by continued concerns over China and deflation
- ▶ Fixed income gathered \$8.3bn with an underlying shift to safety in government debt, which gathered \$7.1bn, while higher-yielding categories came under pressure with high-yield corporate bond outflows reaching (\$0.9bn)

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Global ETP Highlights

Global ETPs had inflows of \$17.2bn in August, focused in non-U.S. developed markets equities and fixed income. The industry remains on record pace with \$202.4bn year-to-date versus \$181.7bn for year-to-date 2014.

ETPs remained resilient in the face of record volumes on global exchanges as investors assessed lower global growth forecasts, rising volatility and falling oil prices.

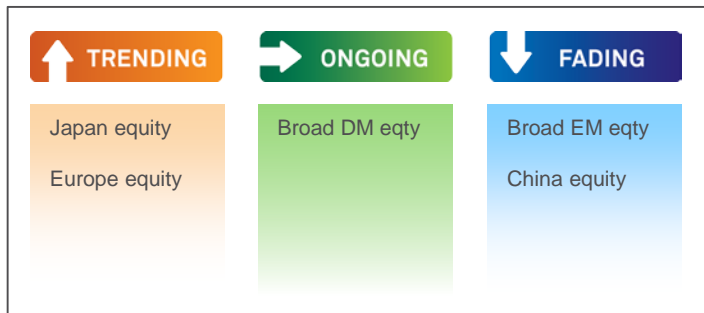
Declines in China's stock market, weaker economic data and the devaluation of the renminbi stoked doubts about the Chinese economy, driving outflows from emerging markets equity and into safer fixed income categories.

While initially dampened by concerns in China, inflows quickly resumed to non-U.S. developed markets equities as the month progressed.

Japan equity (see below) posted strong results, as weaker than anticipated economic growth stoked expectations for additional stimulus. **Pan-European equity** maintained momentum with inflows of \$6.2bn coming on the back of a solid earnings season and **EAFE** products, which provide access to both European and Japanese markets, gathered \$1.2bn.

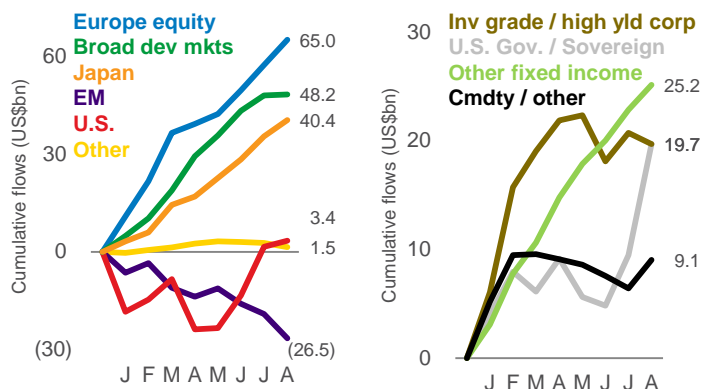
Currency-hedged equity remained steady with flows of \$3.3bn, focused in EAFE exposures with \$1.3bn, which comes despite a volatile month for the U.S. dollar.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

2015 YTD flows: \$202.4bn

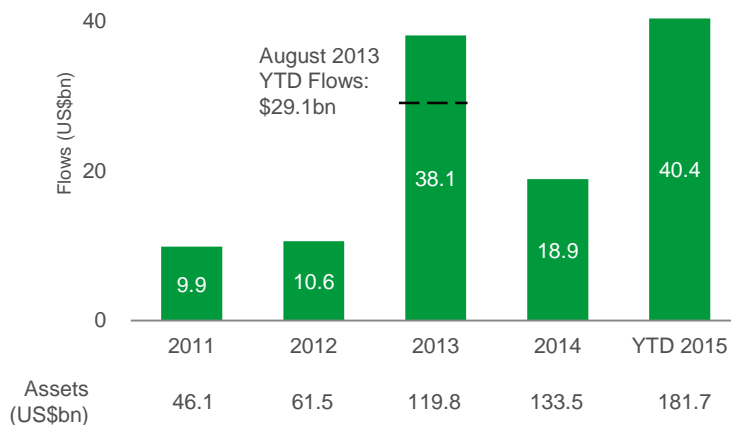


SPOTLIGHT ON JAPAN EQUITY ETP EXPOSURES

Japan exposures have been strong all year with record inflows of \$40.4bn year-to-date, already passing the 2013 full-year record of \$38.1bn. Despite recent headwinds, the Nikkei 225 Net Total Return Index has delivered a 9.1%² return compared with -4.2%³ for the S&P 500. Japan equity ETPs have had a number of tailwinds:

- 1) Corporate governance reforms have been a boon to equities as companies raise dividends and increase stock buybacks
- 2) Japanese pensions have been re-allocating toward equities, most notably the world's largest pension the \$1.2 trillion Government Pension Investment Fund (GPIF) which announced a planned 13 percentage point increase in its equity allocation late last year
- 3) Inflation remains stubbornly short of the Bank of Japan's 2% target fueling hopes for more stimulus

GLOBAL JAPAN EQUITY ETP FLOWS



Global ETP Highlights (cont'd)

Total emerging markets (EM) equity outflows in August were (\$7.4bn) driven by **broad EM equities**, which slowed for a third consecutive month to (\$3.1bn), as well as **China equities** with (\$2.1bn), both declining over concerns about the slow-down in China.

Taiwan equity funds also suffered headwinds with redemptions of (\$1.2bn) as did **India equities** with outflows of (\$0.8bn). Year-to-date outflows from EM equities have fallen below March levels, now at (\$26.5bn).

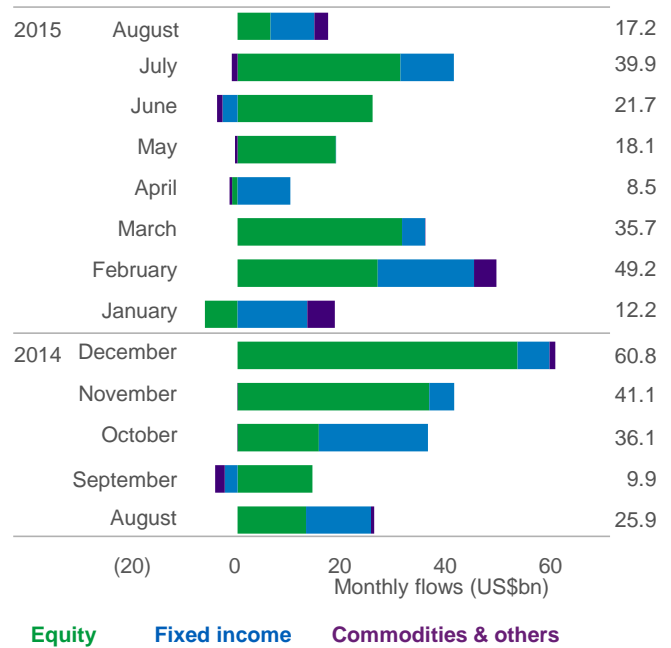
Fixed income gathered \$8.3bn as investors sought the safety of **U.S. Treasury** and European **sovereign bond** funds which pulled in \$5.6bn and \$1.5bn, respectively. Asset gathering for government debt accelerated mid-month following the renminbi devaluation and comes amid speculation that the Fed may be cooling to the idea of September rate hike.

Conversely, higher-yielding fixed income categories came under pressure as spreads widened in light of falling global growth expectations and slumping energy prices, with some moderation after the price of oil rose sharply late in the month. **High yield corporate bond** funds shed (\$0.9bn) and **EM bond** funds, which also face headwinds from China, similarly suffered outflows of (\$1.0bn).

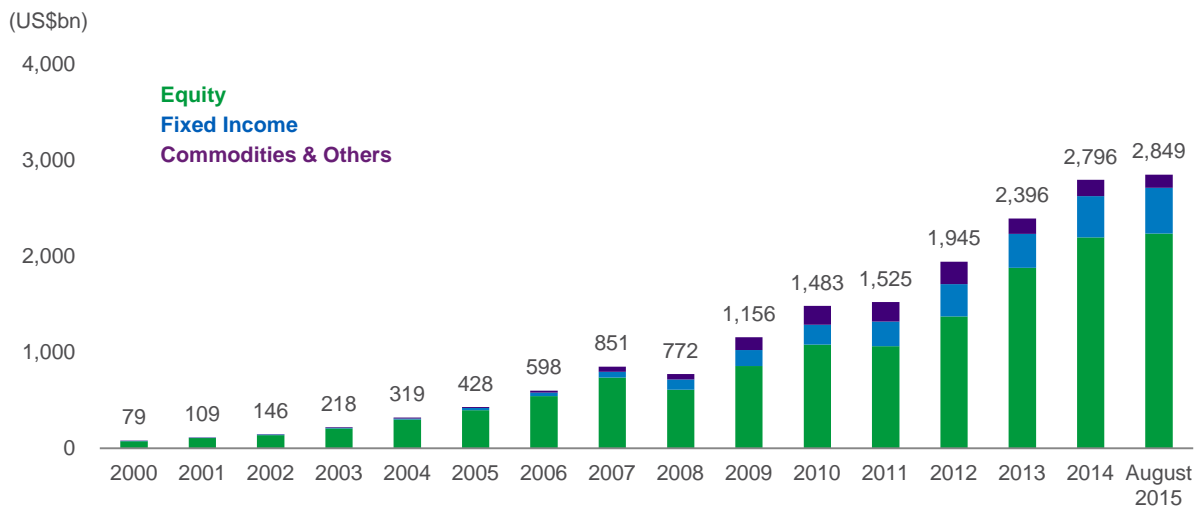
Commodities drew in \$2.3bn snapping a five-month streak of outflows. Despite volatility in oil prices, **crude oil** ETPs saw inflows of \$1.8bn. The volatility spikes this month also drove gold prices higher with **Gold** funds collecting \$0.4bn and **volatility-linked** alternative products picked up \$0.6bn.

RESULTS AT A GLANCE¹

(US\$bn)	August 2015	Dec 2014	August 2014
Monthly flows	17.2	60.8	25.9
Year-to-date flows	202.4	329.6	181.7
Assets	2,849	2,796	2,699
# of ETPs	5,709	5,431	5,266



GLOBAL ETP ASSETS¹



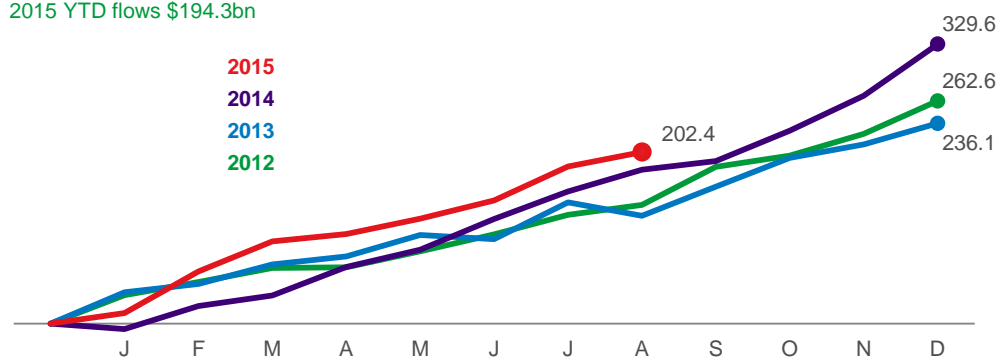
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

(US\$bn)		YTD 2015	YTD 2014	Annual 2014
Equity	Developed Markets Equity	158.5	111.5	243.9
	Emerging Markets Equity	(26.5)	11.5	(1.8)
	Total	132.0	123.0	242.1
Fixed Income	Government	16.5	18.4	19.5
	Investment Grade Corporate	14.7	13.2	22.4
	High Yield Corporate	5.0	1.5	3.8
	Others	25.2	22.7	39.1
	Total	61.4	55.7	84.9
Commodities & others	Total	9.1	2.9	2.6
Grand Total		202.4	181.7	329.6

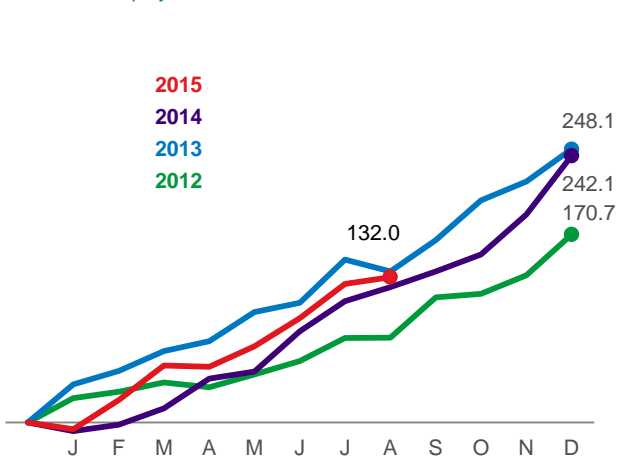
CUMULATIVE ETP FLOWS¹

2015 YTD flows \$194.3bn



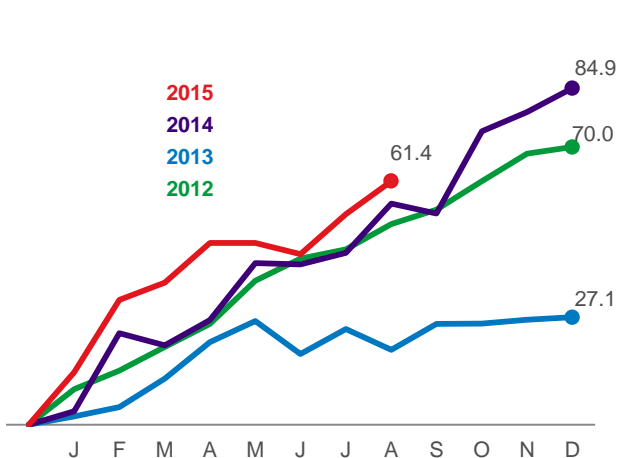
CUMULATIVE EQUITY ETP FLOWS¹

2015 YTD equity flows: \$127.9bn



CUMULATIVE FIXED INCOME ETP FLOWS¹

2015 YTD fixed income flows: \$57.0bn

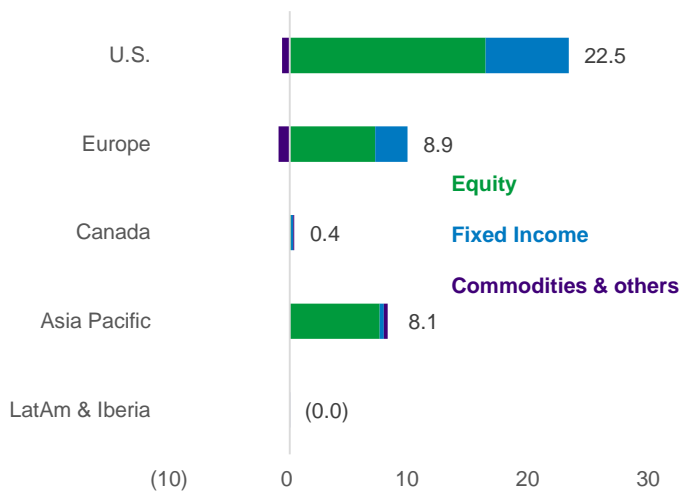


Flows By Listing Region

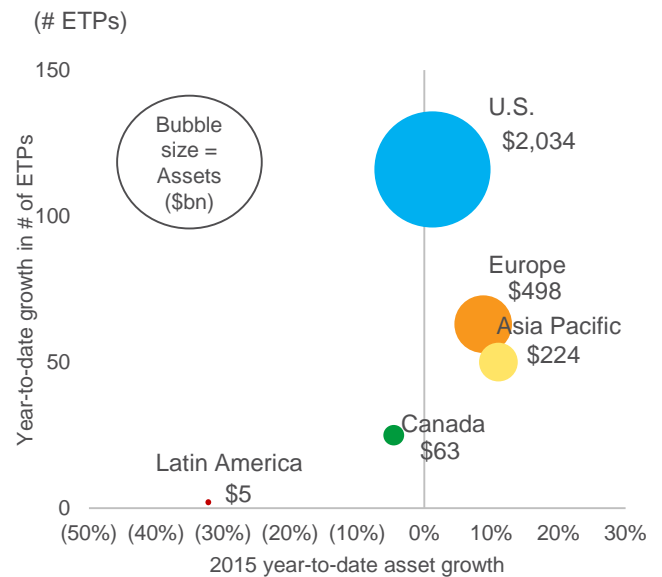
Highlights (US\$):¹

- ▶ U.S.-listed funds drew in \$2.3bn in August driven by Treasury funds while pared by EM equity exposures
- ▶ Europe-listed ETP flows led all regions with \$9.0bn, building on momentum from July and following a slowdown in Q2
- ▶ Canada-listed ETPs gathered \$1.0bn to extend their streak of consecutive inflows to 19 months
- ▶ Asia Pacific-listed ETPs brought in \$5.1bn on strength in Japan equities and despite heightened volatility due to China

MONTH-TO-DATE FLOWS BY LISTING REGION¹



ASSET GROWTH RATES AND # OF ETPs¹



LISTING REGION VIEW¹

(US\$bn)	MTD Flows	YTD 2015 Flows	Share of YTD Flows	Current Assets	Share of Assets
US	2.3	121.7	60.1%	2,033.7	71.4%
Europe	9.0	58.6	28.9%	498.1	17.5%
Canada	1.0	8.0	3.9%	63.5	2.2%
Asia Pacific	5.1	15.4	7.6%	224.0	7.9%
Latin America & Iberia	(0.3)	(1.3)	-0.6%	5.3	0.2%
Middle East and Africa	Not available	Not available	NA	24.8	0.9%
Global ETP Total	17.2	202.4	100.0%	2,849.2	100.0%

ETP Flows by Exposure

(US\$bn)		MTD Flows	YTD Flows	Current Assets
Equity	US	1.8	3.4	1,240.7
	Broad Developed Markets	0.4	48.2	280.7
	Europe	7.8	65.0	254.9
	Asia-Pacific	3.6	42.9	223.0
	Canada	(0.0)	(1.1)	25.5
	Developed Equity	13.6	158.5	2,024.7
	Single Country	(4.1)	(20.0)	115.5
	Broad	(3.1)	(6.2)	92.1
	Regional	(0.2)	(0.2)	5.0
	Emerging Markets Equity	(7.4)	(26.5)	212.7
	Equity Total	6.2	132.0	2,237.4
	Fixed Income	Investment Grade Corp	(0.1)	14.7
Broad		1.0	8.5	71.6
U.S. Government		5.6	10.7	55.2
HY Corp		(0.9)	5.0	47.7
Sovereign		1.5	5.9	47.8
Municipal		0.1	2.4	17.4
Other Fixed Income		1.2	14.3	125.7
Fixed Income Total		8.3	61.4	475.0
Commodities	Gold	0.4	(1.4)	56.3
	Energy	2.0	9.3	15.0
	Silver	(0.1)	0.0	8.1
	Agriculture	(0.0)	(0.0)	3.6
	Other Precious Metals	(0.1)	(0.2)	21.6
	Other Commodities	0.1	(0.5)	13.0
	Commodities Total	2.3	7.3	117.5
Asset Allocation		(0.0)	0.8	6.7
Alternatives		0.7	1.0	8.0
Currency		(0.3)	(0.0)	4.7
Grand Total		17.2	202.4	2,849.2

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 August 30, 2015 for Europe and August 31, 2015 for the US, Canada, Latin America, Israel, and some Asia ETPs. Some Asia ETP data is as of July 31, 2015. 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. Source: Nikkei
3. Source: S&P

Index returns are for illustrative purposes only. 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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