

BLACKROCK GLOBAL ETP LANDSCAPE

MAY 2016

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The opinions expressed are as of May 31st 2016
and may change as subsequent conditions vary.

Summary

BlackRock ETP Research

A cross-regional team analyzing global markets to deliver insights on the intersection of investment trends and ETP flows

For inquiries, please email ETPresearch@BlackRock.com

MAY GLOBAL ETP FLOWS REFLECT INVESTOR PREFERENCE FOR FIXED INCOME AND GOLD OVER EQUITIES

- ▶ May flows of \$10.7bn were paced by \$9.7bn for bond funds and boosted by a renewed appetite for gold, which accumulated \$4.1bn
- ▶ Minimum volatility funds, which have steadily attracted \$3bn per month this year amid equity market uncertainty, brought in another \$2.6bn
- ▶ Fixed income flows remained broad based, from corporate bonds to EM debt to municipals
 - The leading categories were investment grade corporate bonds with \$2.8bn, primarily from ongoing demand in Europe, and broad US debt with \$1.8bn
 - The only redemptions were (\$2.6bn) for high yield corporate bonds, which have still gathered \$4.7bn year-to-date as investors hunt for sources of income
- ▶ EM equity generated outflows of (\$5.0bn) after two strong months, as renewed concern over China's economic growth impacted both broad EM funds and country funds with Asia exposure

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Global ETP Highlights

May was a moderate month for global ETP flows, which totaled \$10.7bn. With little momentum for equities, investors continued to move into fixed income funds, which have brought in nearly 40% more year-to-date than during the same period last year on the way to a record high.

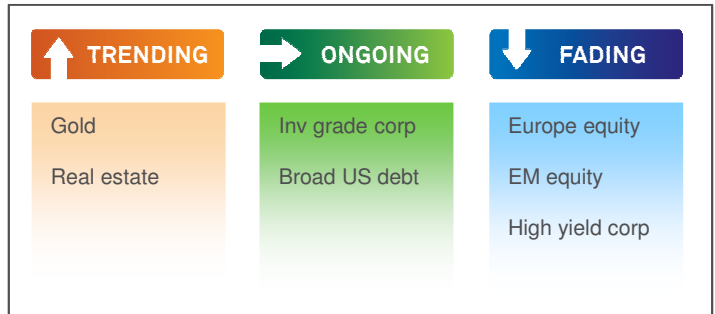
Six fixed income categories accumulated at least \$0.5bn, led by \$2.8bn from **investment grade corporate bonds**, which again benefitted from the March ECB decision to begin purchases.

Broad U.S. debt funds added \$1.8bn, bringing the year-to-date total to \$9.2bn, already within reach of the \$11.5bn for all of 2015. By comparison, all U.S. equity funds have inflows of just \$11.5bn so far this year.

High yield corporate bonds were the only fixed income category with outflows, which reached (\$2.6bn) following two strong months. However, year-to-date, high yield has still seen strong inflows. It has combined with municipals and EM debt to contribute to strong growth across all equity and fixed income yield-oriented categories (see below).

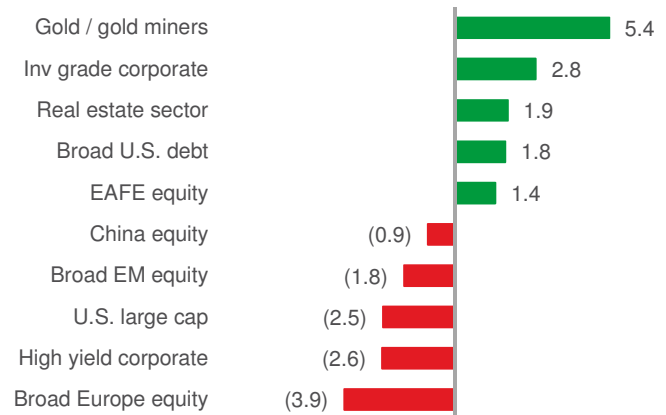
Equity flows were led by **minimum volatility** funds with \$2.6bn. With uncertainty over global growth impacting stock returns, investors have already allocated \$14.4bn to minimum volatility year-to-date, more than the \$11.6bn for all of last year. As a result, assets have more than doubled in just two years.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

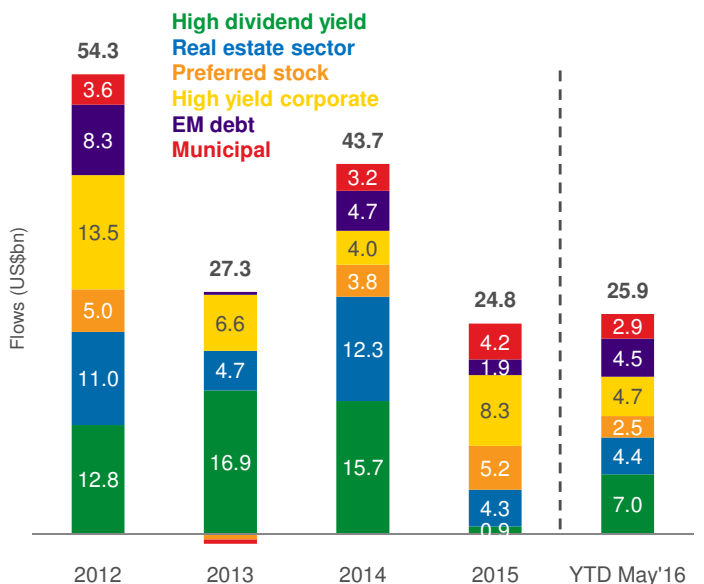
May 2016 flows: \$10.7bn



SPOTLIGHT ON YIELD-ORIENTED ETPs

Year-to-date inflows across the six yield-oriented ETP categories shown at right have already exceeded the total for all of 2015 and are on track to top the \$54.3bn from 2012. Contributing factors include:

- 1) Persistently low Interest rates, with central banks remaining accommodative and cautious, including the U.S. Fed despite an initial rate increase
- 2) A difficult year for equity performance, increasing the relative value of payouts from high dividend yield funds (which have seen flows bounce back after a flat 2015), real estate sector funds and preferred stocks
- 3) Record flows into fixed income ETPs, with investors exhibiting a willingness to take on more risk for income from categories such as high yield corporate bonds and EM debt, in addition to less risky areas including municipals



Global ETP Highlights (cont'd)

U.S. equities were essentially flat. Yield-oriented categories were bright spots, with **high dividend, real estate and preferred stock** combining for \$3.0bn. However, these inflows were negated by **U.S. large cap** redemptions.

Non-U.S. equities struggled, most notably emerging markets with outflows of (\$5.0bn). Recent data on the Chinese economy disappointed, leading to an abrupt halt in momentum for **broad emerging markets equity** flows. Country funds with exposure to **China, Taiwan, Korea and India** were similarly impacted. Still, overall emerging markets equity inflows are \$6.3bn year-to-date.

EAFE equity flows were \$1.4bn and have reached \$7.2bn so far in 2016. While this is the highest total for all non-U.S. categories, it is well behind the pace from 2015 when EAFE funds accumulated \$42.2bn for the year.

Europe equity fared the worst, with outflows of (\$5.1bn), including (\$3.9bn) for broad funds. Year-to-date redemptions now exceed (\$20bn), an abrupt reversal from 2015 inflows of \$80bn. ECB stimulus has not yet alleviated concerns over economic growth and low inflation.

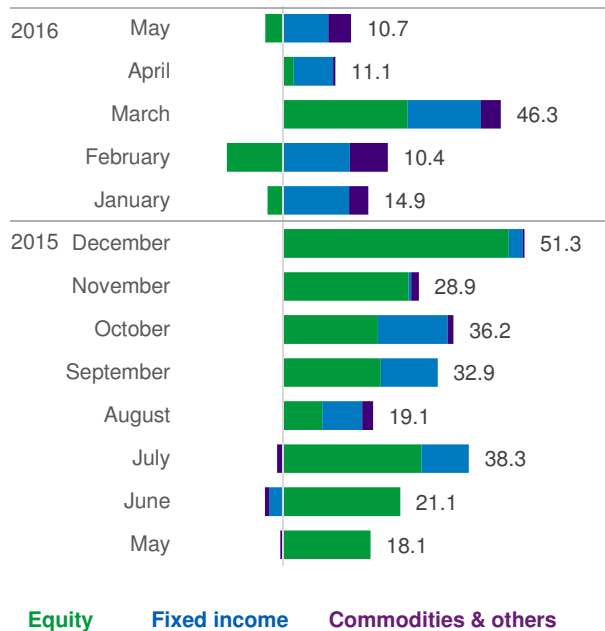
Japan equity redemptions of (\$0.2bn) included \$2.0bn for Asia Pacific-listed funds, but (\$1.5bn) for U.S.-listed funds, the fourth month in a row with outflows over (\$1.0bn).

Gold, which has outperformed many asset classes this year from a return perspective, saw inflows surge to \$4.1bn. In addition to physical gold funds, **gold miners** also rallied, capturing an additional \$1.3bn.

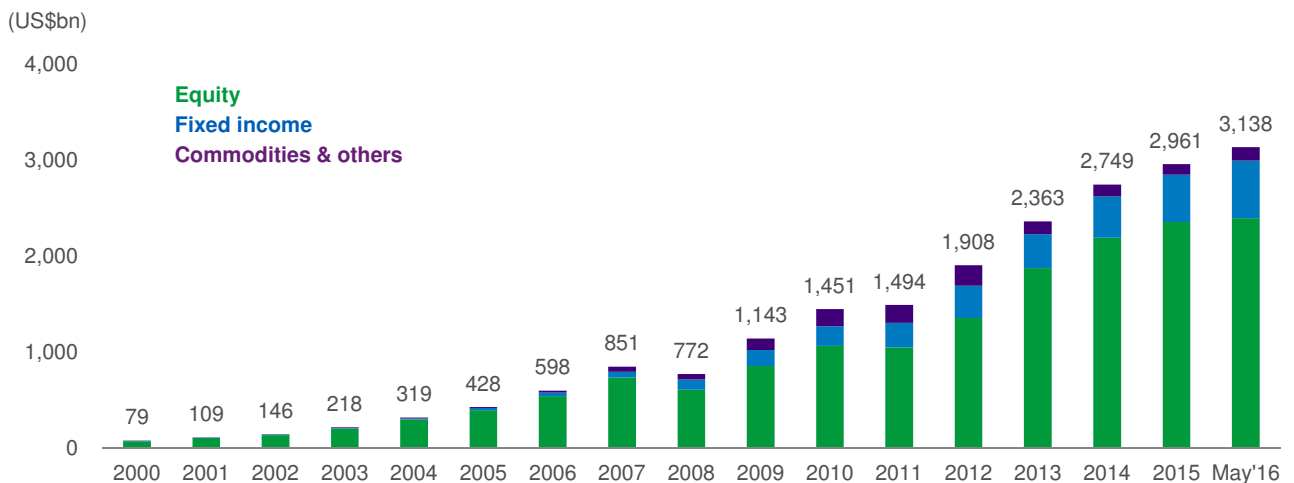
RESULTS AT A GLANCE¹

(US\$bn)	May 2016	December 2015	May 2015
Monthly flows	10.7	51.3	18.1
Year-to-date flows	93.4	350.9	123.2
Assets	3,138	2,961	2,955
# of ETPs	6,073	5,865	5,595

GLOBAL 13-MONTH ROLLING FLOWS¹



GLOBAL ETP ASSETS¹



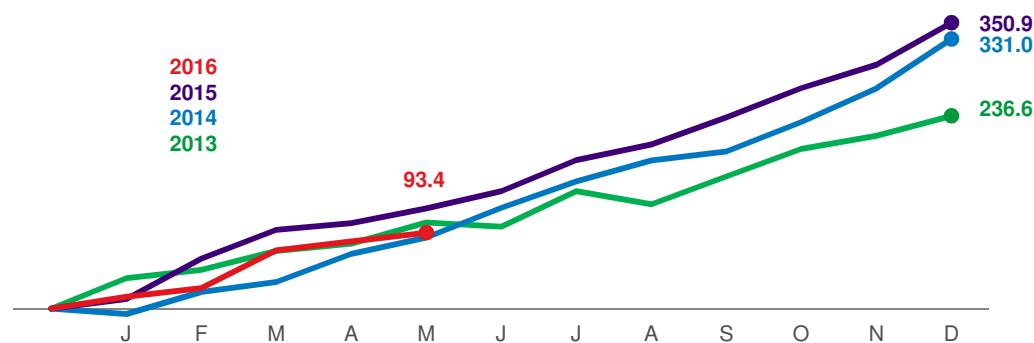
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

(US\$bn)		YTD 2016	YTD 2015	Annual 2015
Equity	Developed Markets Equity	3.4	80.1	273.4
	Emerging Markets Equity	6.3	(11.2)	(26.2)
	Total	9.8	68.9	247.2
Fixed Income	Government	4.5	5.7	16.9
	Investment Grade Corporate	16.6	13.2	24.7
	High Yield Corporate	4.7	8.3	8.3
	Others	36.1	18.5	41.8
	Total	61.8	45.6	91.7
Commodities & others	Total	21.7	8.6	12.0
Grand Total		93.4	123.2	350.9

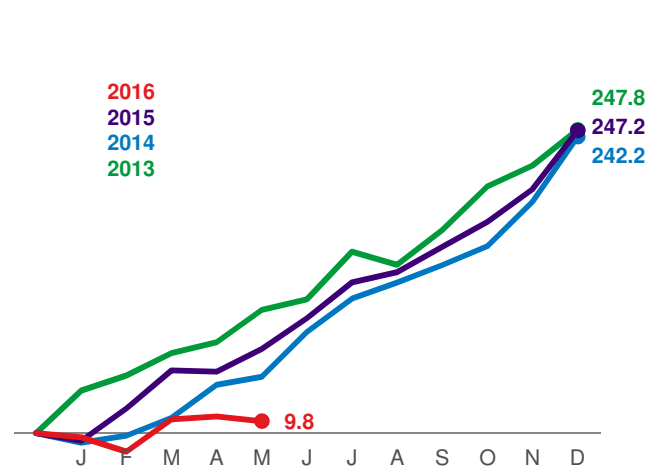
CUMULATIVE ETP FLOWS¹

Year-to-date flows: \$93.4bn



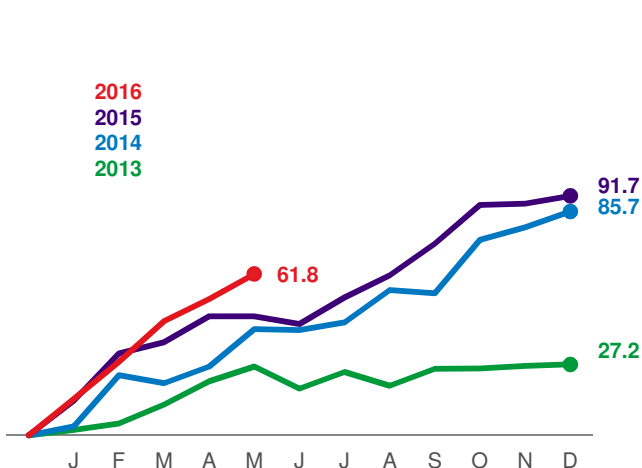
CUMULATIVE EQUITY ETP FLOWS¹

Year-to-date flows: \$9.8bn



CUMULATIVE FIXED INCOME ETP FLOWS¹

Year-to-date flows: \$61.8bn



ETP Flows By Listing Region

Month-to-date Highlights (US\$bn):¹

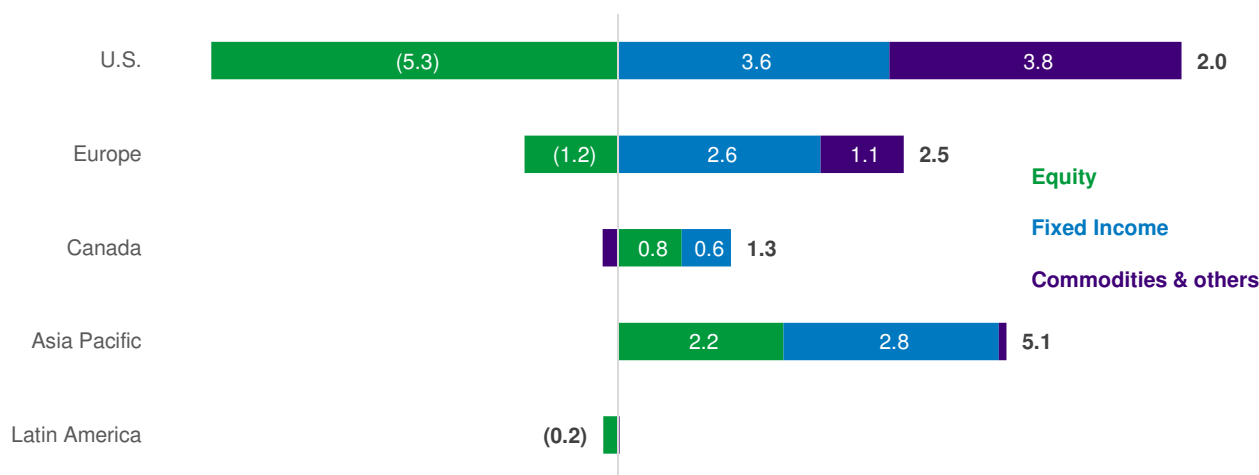
- ▶ U.S.-listed inflows totaled \$2.0bn, led by commodities (gold) for the first time since November 2011
- ▶ Europe-listed flows of \$2.5bn came largely from investment grade corporate bonds for the third consecutive month
- ▶ Canada-listed funds generated \$1.3bn, above the \$1.0bn average during the region's 28-month inflow streak
- ▶ Asia Pacific-listed flows reached \$5.1bn, split between Japan equity and China money market funds
- ▶ Latin America redemptions were (\$0.2bn), driven by Mexico equity and the first outflows of the year for Brazil equity

ASSETS BY LISTING REGION¹

(US\$bn)	Equity	Fixed Income	Cmdty & others	Total
U.S.	1,761	388	86	2,235
Europe	342	142	45	529
Canada	51	23	2	77
Asia Pacific	231	47	7	286
Latin America	5	0	0	5
Middle East & Africa	4	0	2	5
Total	2,396	601	141	3,138

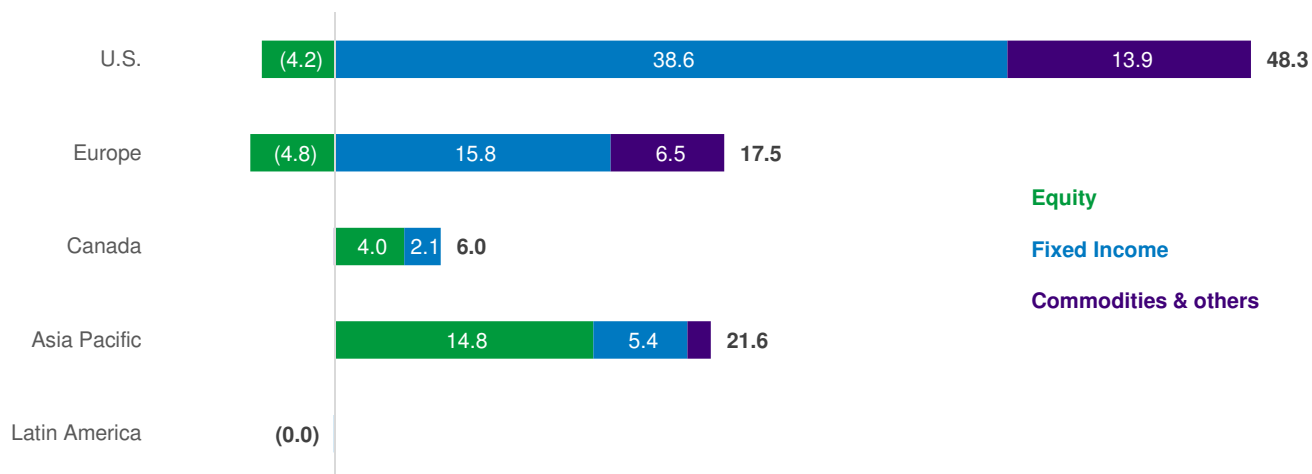
MONTH-TO-DATE FLOWS BY LISTING REGION¹

Month-to-date flows \$10.7bn



YEAR-TO-DATE FLOWS BY LISTING REGION¹

Year-to-date flows: \$93.4bn



ETP Flows by Exposure

(US\$bn)		MTD Flows	2016 YTD Flows	Current Assets
Equity	US	0.9	11.5	1,379
	Broad Developed Markets	5.2	12.6	302
	Europe	(5.1)	(20.6)	234
	Asia-Pacific	(0.2)	(1.4)	230
	Canada	0.5	1.4	39
	Developed Equity	1.2	3.4	2,183
	Single Country	(3.3)	0.9	108
	Broad	(1.8)	4.9	99
	Regional	0.0	0.5	5
	Emerging Markets Equity	(5.0)	6.3	212
	Equity Total	(3.7)	9.8	2,396
	Fixed Income	Investment Grade Corp	2.8	16.6
High Yield Corp		(2.6)	4.7	54
Broad		2.3	11.5	95
U.S. Treasury		(0.4)	5.1	60
Sovereign		0.2	(0.5)	50
Municipal		0.8	2.9	23
Emerging Markets Debt		0.9	4.5	27
Other Fixed Income		5.7	17.2	151
Fixed Income Total		9.7	61.8	601
Commodities	Gold	4.1	16.5	73
	Crude oil	(1.2)	1.0	15
	Silver	0.0	0.5	9
	Agriculture	0.1	0.2	3
	Other Precious Metals	0.0	0.1	3
	Other Commodities	1.0	1.7	16
	Commodities Total	4.1	20.0	119
Other	Other Total	0.8	1.7	22
Grand Total		10.7	93.4	3,138

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 sourced from Markit and BlackRock. All amounts are reported in US dollars. Flows are derived using daily net asset values and shares outstanding using the most recent data available at month-end. Assets are derived using shares outstanding and prices at the end of each month (or the closest date available). Where price is not available, an approximation is used. Product level information is aggregated by provider, asset class, exposure, and listing region to produce the various analyses in the report. For products with cross-listings, flows and assets are attributed to the primary listings. For Middle East and Africa, flows data are not available. Assets are not available for ETNs listed in Israel.

1. Data is as of May 31, 2016 for all regions. Global ETP flows and assets are sourced from Markit and BlackRock. Flows and assets for the years between 2010 and 2015 are sourced from Bloomberg and BlackRock. Flows and assets for years prior to 2010 are sourced from Strategic Insights Simfund. Asset classifications are assigned by 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.

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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