

BLACKROCK GLOBAL ETP LANDSCAPE

OCTOBER 2016

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The opinions expressed are as of October 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

OCTOBER FLOWS FUELED BY U.S. AND BROAD EMERGING MARKETS EQUITIES FOLLOWING RECORD Q3

- ▶ Global ETPs slowed to \$18.6bn in October after record quarterly flows in Q3, driven by U.S., broad emerging markets (EM) and EAFE equities along with solid gains in U.S. TIPS
- ▶ Positive Q3 corporate earnings and economic growth boosted flows to U.S. large cap equities which generated \$7.5bn but prospects for higher rates weighed on flows to real estate equity sector funds
- ▶ Better economic data from China propelled broad EM equity flows to \$3.4bn in October, bolstering the category's record year-to-date pace
- ▶ Fixed income remains on record year-to-date pace, led this month by U.S. TIPS amid stronger economic growth while conventional government bonds and high yield were dampened by rising rates and oil price volatility

Global ETP Highlights	3
Year-to-date Overview	5
Reference Schedules	
ETP Flows by Listing Region	6
ETP Flows by Exposure	7

Global ETP Highlights

Global ETPs slowed to \$18.6bn in October following record quarterly flows in Q3. Rosier economic data bolstered equities while dampening fixed income. Accordingly, flows were led by U.S., broad emerging markets (EM) and EAFE equities with additional gains in U.S. TIPS. Year-to-date flows grew to \$265.1bn, just behind 2015's record year-to-date pace.

Positive earnings and M&A news spurred flows to **U.S. large cap equities** which gathered \$7.5bn. However, **U.S. real estate** equity funds shed (\$2.1bn) as the same upbeat news put prospects for a December rate hike in greater focus.

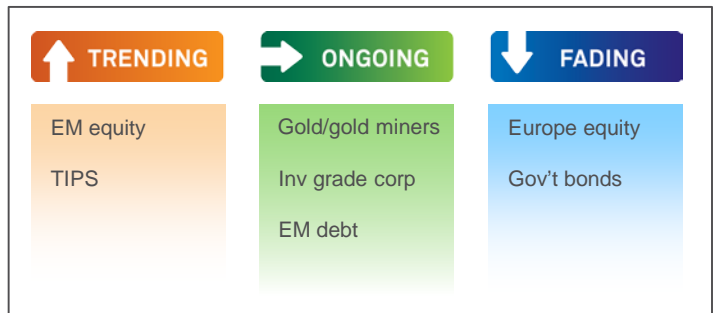
Broad EM equity funds generated \$3.4bn in light of better economic data in China including the strongest producer price index data in nearly five years. Broad EM equity funds remained on record pace with \$29.1bn year-to-date.

Other non-U.S. exposures were mixed as **EAFE equity** funds rebounded from outflows in September with inflows of \$2.1bn while **pan-European equities** marked a ninth consecutive month of outflows with (\$1.3bn).

Fixed income funds collected \$4.1bn bringing year-to-date flows to \$108.8bn, well-above last year's full-year flow record. **U.S. TIPS** led this month with \$1.2bn and year-to-date flows to TIPS funds are the best since 2009 (see below). However, these gains were pared by conventional **Treasury** and **sovereign** bond outflows of (\$1.3bn) combined and **high-yield corporates** shed (\$1.6bn) fueled by oil price volatility.

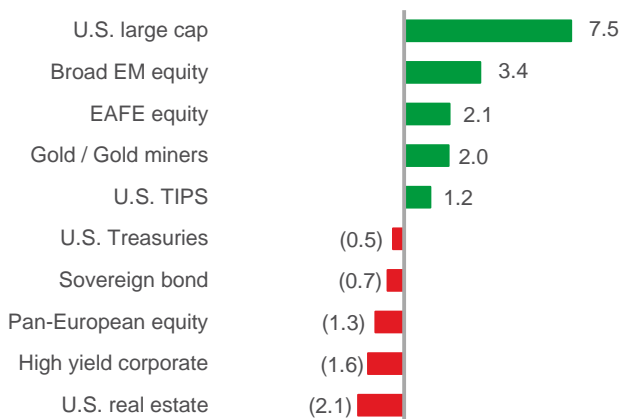
Finally, greater volatility lifted **gold** commodity funds and **gold miners** which added \$1.0bn each.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

October 2016 flows: \$18.6bn

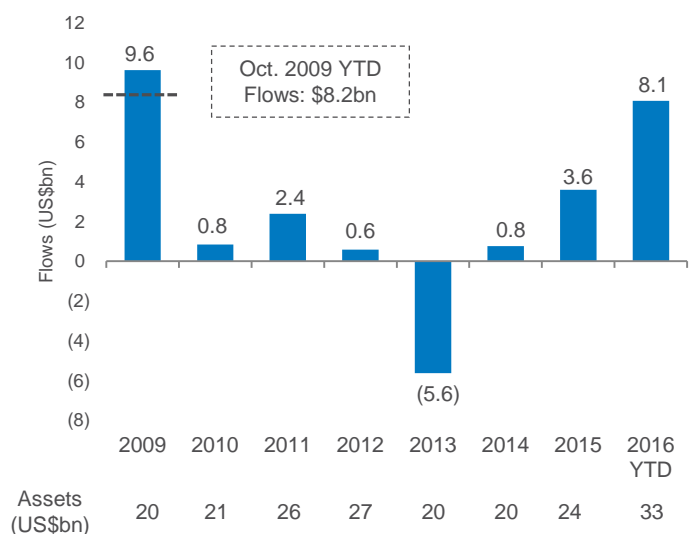


SPOTLIGHT ON U.S. TIPS ETPs

U.S. TIPS funds have seen steady inflows all year as prospects for inflation have risen. With year-to-date flows of \$8.1bn, TIPS funds are gathering assets near 2009's record pace and March and April of this year marked consecutive record monthly inflows to the category. Three tailwinds to TIPS are:

1. Healthier labor market data: Better labor market participation, lower jobless claims and faster wage growth all bode well for higher inflation and for TIPS over conventional Treasuries
2. Stronger commodities prices: The recovery in oil prices off earlier year lows reflects a balancing of supply and demand moderating a key downside risk to the relative performance of TIPS
3. Political uncertainty: One of the unintended consequences of the political retreat from global trade is rising prices for consumers, a scenario perversely beneficial to TIPS

GLOBAL U.S. TIPS ETP FLOWS



Year-to-date Overview

RESULTS AT A GLANCE¹

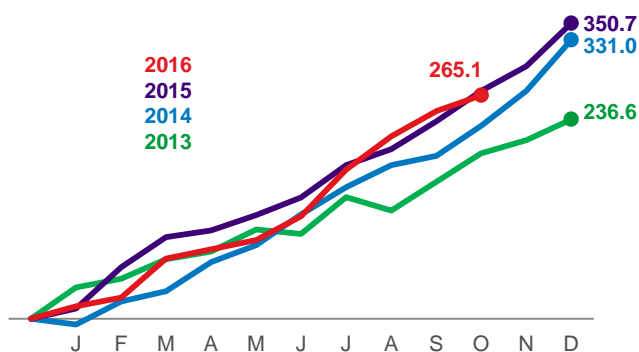
(US\$bn)	Oct 2016	Dec 2015	Oct 2015
Monthly flows	18.6	51.3	36.2
Year-to-date flows	265.1	350.7	270.5
Assets	3,340	2,961	2,972
# of ETPs	6,053	5,865	5,805

GLOBAL ETP FLOWS BY EXPOSURE¹

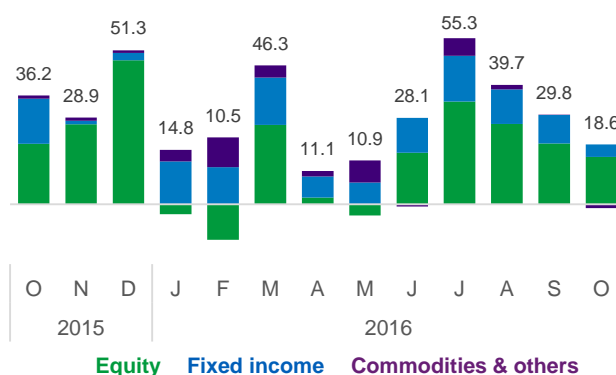
(US\$bn)		YTD 2016	YTD 2015	Annual 2015
Equity	Developed Markets Equity	96.1	197.0	273.2
	Emerging Markets Equity	27.9	(24.7)	(26.2)
	Total	124.0	172.3	247.0
Fixed Income	Government	2.1	22.9	16.7
	Investment Grade Corp	33.4	21.5	24.7
	High Yield Corp	6.0	9.9	8.3
	Others	67.3	29.0	37.1
	Total	108.8	83.3	86.8
Commodities & Others	Total	32.3	14.9	16.9
Grand Total		265.1	270.5	350.7

CUMULATIVE ETP FLOWS¹

Year-to-date flows: \$265.1bn

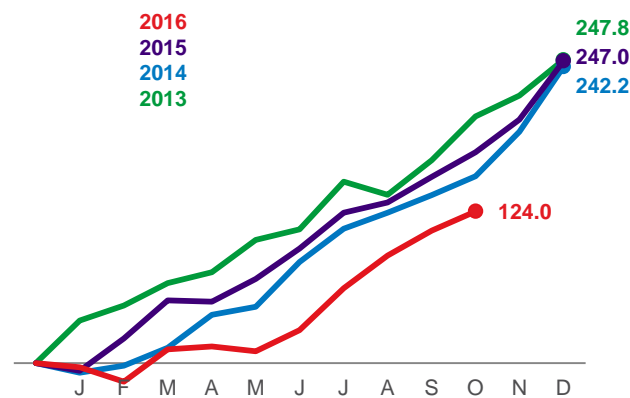


GLOBAL 13-MONTH ROLLING FLOWS¹



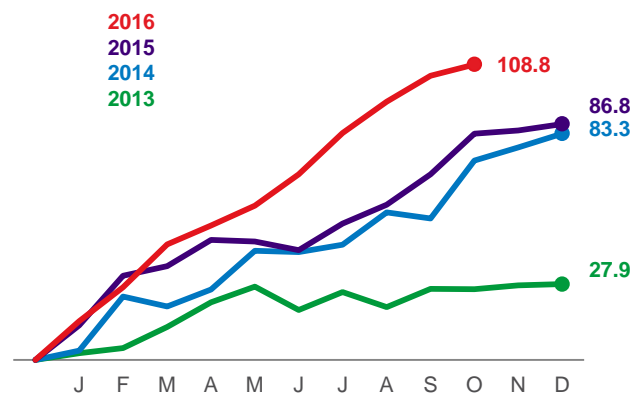
CUMULATIVE EQUITY ETP FLOWS¹

Year-to-date flows: \$124.0bn



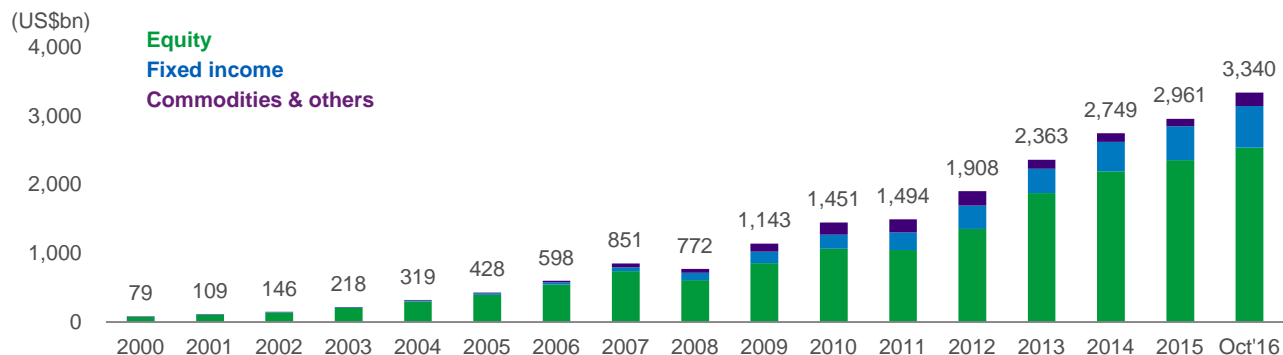
CUMULATIVE FIXED INCOME ETP FLOWS¹

Year-to-date flows: \$108.8bn



Year-to-date Overview (cont'd)

GLOBAL ETP ASSETS¹



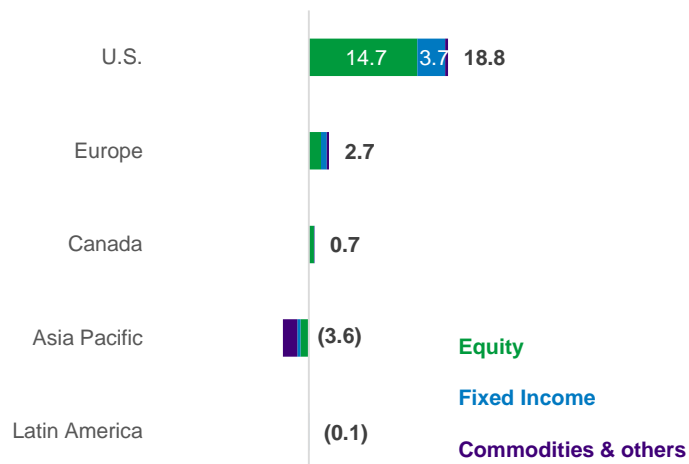
ETP Assets and Flows By Listing Region

ASSETS BY LISTING REGION¹

(US\$bn)	Equity	Fixed Income	Commodity & others	Total
U.S.	1,860	427	95	2,382
Europe	353	148	57	557
Canada	53	25	2	81
Asia Pacific	263	9	37	309
Latin America	5	0	0	5
Middle East & Africa	4	0	2	6
Total	2,538	610	192	3,340

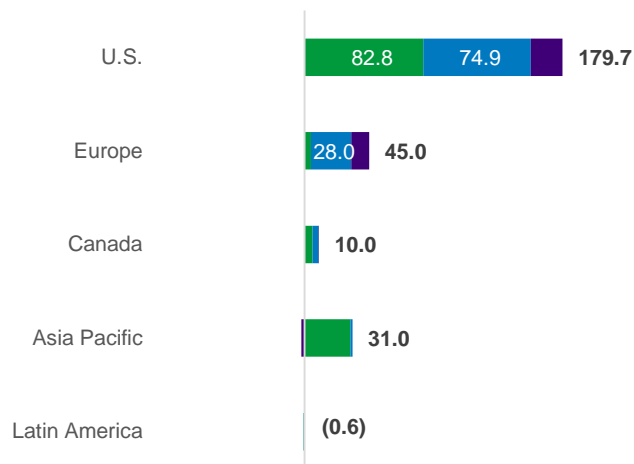
MONTH-TO-DATE FLOWS BY LISTING REGION¹

Month-to-date flows \$18.6bn



YEAR-TO-DATE FLOWS BY LISTING REGION¹

Year-to-date flows: \$265.1bn



ETP Flows by Exposure

(US\$bn)		MTD Flows	2016 YTD Flows	Current Assets
Equity	U.S.	8.1	81.7	1,456
	Broad Developed Markets	5.1	33.4	328
	Asia-Pacific	(0.4)	16.9	260
	Europe	(1.2)	(38.6)	205
	Canada	0.4	2.7	32
	Developed Equity	12.1	96.1	2,282
	Single Country	(0.0)	(2.5)	115
	Broad	3.4	29.1	135
	Regional	0.2	1.3	7
	Emerging Markets Equity	3.6	27.9	257
	Equity Total	15.8	124.0	2,538.4
	Fixed Income	Investment Grade Corp	0.8	33.4
High Yield Corp		(1.6)	6.0	57
Broad		1.3	21.3	104
U.S. Treasury		(0.5)	4.0	59
Sovereign		(0.7)	(1.9)	47
Municipal		0.3	6.1	26
Emerging Markets Debt		0.6	15.1	38
Other Fixed Income		4.0	24.7	120
Fixed Income Total		4.1	108.8	610
Commodities	Gold	1.0	27.9	88
	Crude oil	(0.9)	1.0	15
	Silver	0.1	1.4	11
	Agriculture	0.1	0.3	3
	Other Precious Metals	0.0	0.2	3
	Other Commodities	0.1	2.5	15
	Commodities Total	0.3	33.2	135
Other	Other Total	(1.5)	(0.9)	57
Grand Total		18.6	265.1	3,340

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 October 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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