

# BLACKROCK GLOBAL ETP LANDSCAPE

MONTHLY SNAPSHOT | DECEMBER 2014

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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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### GLOBAL ETPs FINISH RECORD YEAR WITH BEST MONTHLY FLOWS EVER

- ▶ Global inflows surged to \$61.5bn in December, extending the 2014 record to \$330.6bn, with encouraging news on the US economic outlook, a strong dollar and a further drop in the price of oil sparking a late-month equity rally
- ▶ U.S.-listed ETP flows reached \$52.6bn, surpassing \$40bn in consecutive months for the first time, as the Fed remained unexpectedly accommodative and the final reading on Q3 GDP growth hit an eleven-year high of 5.0%
- ▶ Following the Fed announcement, fixed income flows accelerated to finish December at \$5.7bn, led by broad-market U.S. funds as well as European and U.S. investment grade corporate debt
- ▶ Japanese equity gathered \$5.6bn, all from Japan-listed funds, as Prime Minister Abe secured support for his economic policies in early elections, sending stocks higher
- ▶ Pan-European equity flows stabilized further, gathering \$2.3bn as the market awaits additional ECB stimulus
- ▶ EM equity lost momentum with redemptions of (\$6.7bn), half from broad-based EM funds, which finished the year with outflows despite investors adding to positions for much of the year

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# Global ETP Highlights

Global ETP flows<sup>1,2</sup> of \$61.5bn in December set a new monthly record and added to what was already the best year ever. Asset gathering finished at \$330.6bn for full-year 2014, surpassing \$300bn for the first time.

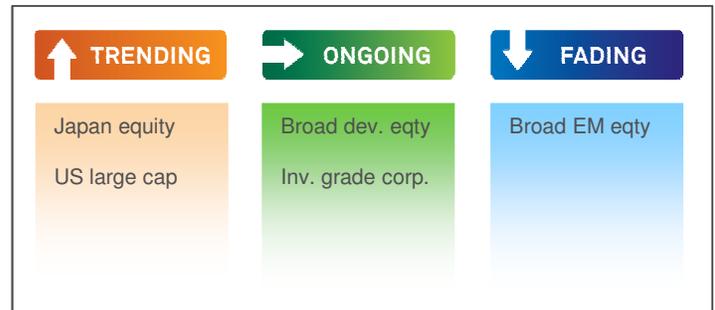
Increased adoption of ETPs across regions was an important factor behind industry expansion this year. Organic growth reached an impressive 13.8% globally. Investors increasingly utilized ETPs as core buy-and-hold investments, precision exposures for strategic asset allocation and liquid financial instruments for tactical positions.

In December, **U.S. equities** brought in a record \$48.0bn. Large cap led with \$24.0bn driven by dovish comments from the Fed. A robust 5.0% final estimate of Q3 GDP<sup>3</sup>, a strong dollar, falling oil prices, and investors putting money to work before the close of the year also contributed to a late-month stock rally.

The encouraging economic growth and favored relative status of the U.S. also resulted in heavy inflows into cyclical sector equity ETPs. Combined inflows into energy, financials and consumer cyclicals reached \$10.8bn.

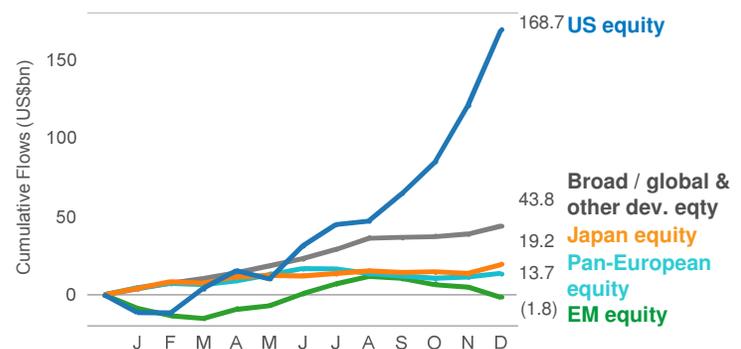
**Fixed income** added \$5.7bn globally to push the all-time high for the year to \$84.5bn, including a new record for Europe-listed funds with \$26.6bn. The Fed provided a boost with comments indicating it was not in a hurry to start raising rates early in 2015. **Investment grade corporate debt** in particular closed the year strong, contributing a quarter of all fixed income flows in 2014 (see below).

## KEY INVESTMENT THEMES / ETP FLOW TRENDS



## GLOBAL EQUITY ETP CUMULATIVE FLOWS<sup>1</sup>

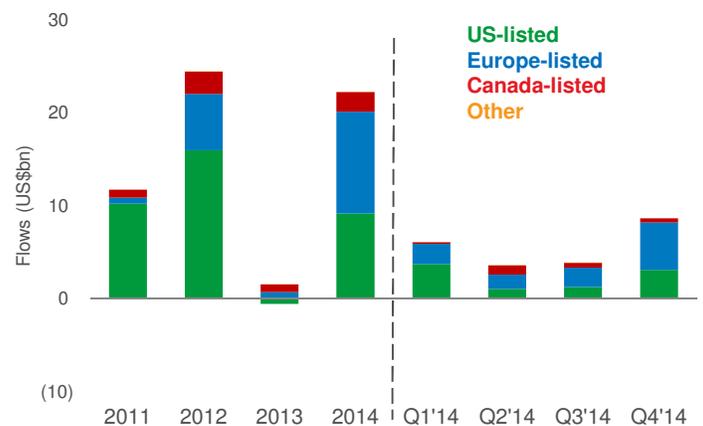
2014 Flows: \$243.6bn



## SPOTLIGHT ON INVESTMENT GRADE CORPORATE DEBT

2014 was a record year for fixed income ETPs. Investment grade corporate debt contributed significantly, gathering \$22.3bn in 2014. This included \$2.2bn in December on the way to an all-time high of \$8.7bn in Q4. A number of factors aided the recovery from an anemic 2013:

- 1) Interest rates remained low and investors favored safer, longer-duration bond categories unlike last year's rush to short duration in anticipation of Fed tapering
- 2) Europe flows were the best ever in 2014, accelerating late in the year as high yield fell out of favor and the ECB revealed it was considering corporate bond purchases to help stimulate the Eurozone economy
- 3) Returns were competitive with equities, which were more moderate and volatile than last year (the Markit iBoxx USD Liquid Investment Grade Index rose 8.7%<sup>4</sup> compared to 13.7% for the S&P 500 on a total return basis<sup>5</sup>)



# Global ETP Highlights (cont'd)

Though **Europe-listed ETPs** had negligible inflows in December, they contributed a record \$61.4bn for the year. This was more than triple 2013 and provided a significant boost to global industry growth. Regional adoption of ETPs accelerated following three slower years during which the economy struggled in the wake of the European debt crisis.

The key drivers of Europe-listed ETP growth were investment grade corporate debt and US equity. Investment grade debt accumulated \$11.0bn (nearly half of all fixed income flows). U.S. equity exposures gathered \$2.3bn in December and accelerated to reach \$21.5bn for the year, surpassing \$6.8bn for pan-European equities as they faded in the second half.

**Japan equity** posted inflows of \$5.6bn to reach \$19.2bn for the year. Much of the December flows came from Japan-listed funds (versus outflows in November) after Prime Minister Abe's secured ongoing support for his economic policies with a victory in early elections. U.S.-listed ETPs cooled following sharp inflows last month in response to increased monetary stimulus, while Europe-listed flows trended higher.

**Emerging markets equity** lost further momentum in December as outflows totaled (\$6.7bn). Attractive valuations persist for **China equity**, but investors remain cautious on the economic growth outlook. China ETPs accounted for redemptions of (\$1.8bn) and shed (\$6.9bn) in Q4 after gathering \$4.0bn through September.

**Broad emerging markets equity** outflows reached (\$3.3bn) and ended in negative territory for the year. Strong demand in Q2 and Q3 brought in \$17.5bn as investors built up positions after previously shunning the category. But it couldn't offset redemptions of (\$12.7bn) in Q1 and (\$6.7bn) in Q4.

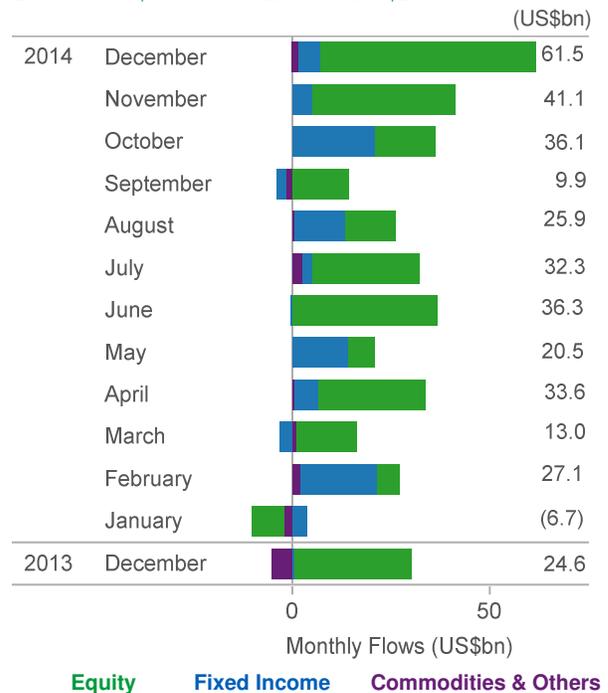
## RESULTS AT A GLANCE<sup>1</sup>

(US \$billions)

	Dec 2014	Dec 2013	Dec 2012
<b>Monthly Flows</b>	61.5	24.6	38.7
<b>Assets</b>	2,778	2,396	1,945
<b># of ETPs</b>	5,428	5,024	4,759

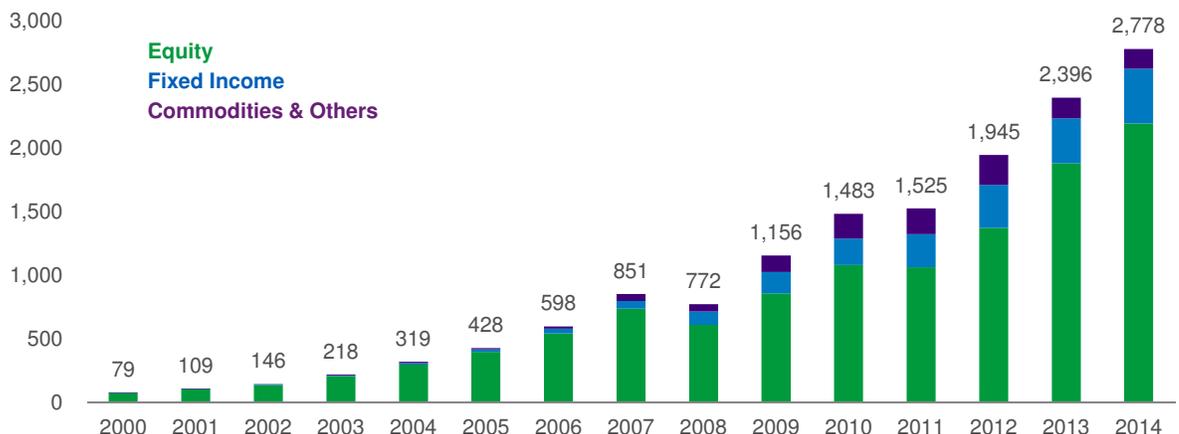
## GLOBAL 13-MONTH ROLLING FLOWS<sup>1</sup>

2014 Flows: \$330.6bn vs. 2013 Flows: \$236.1bn



## GLOBAL ETP ASSETS BY YEAR<sup>1</sup>

Assets (\$bn)



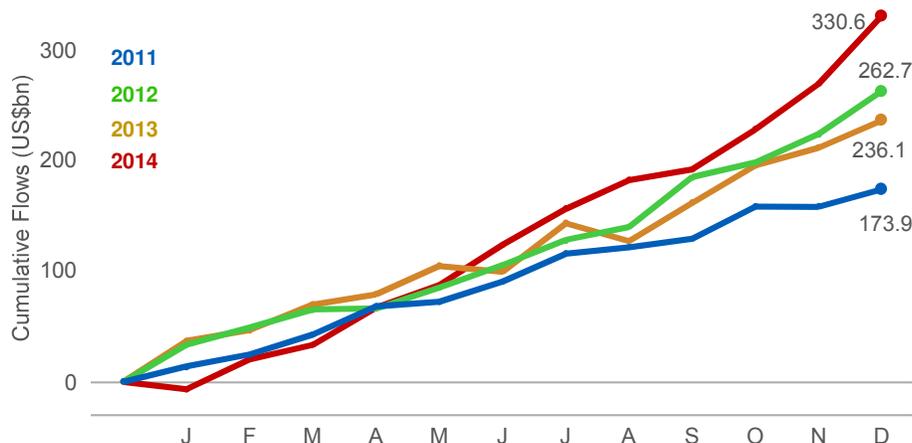
# Year-to-date Overview

## GLOBAL ETP 2014 FLOWS BY EXPOSURE<sup>1</sup>

(US\$bn)		Annual 2014	Annual 2013	Annual 2012
Equity	Developed Markets	245.4	258.4	115.9
	Emerging Markets	(1.8)	(10.3)	54.8
	<b>Total</b>	243.6	248.1	170.7
Fixed Income	Government	19.2	7.5	(0.9)
	High Yield Corporate	4.0	6.6	13.5
	Investment Grade Corporate	22.3	1.0	24.5
	Others	39.1	12.0	33.0
	<b>Total</b>	84.5	27.1	70.0
Commodities & Others	<b>Total</b>	2.6	(39.1)	22.0
<b>Grand Total</b>		330.6	236.1	262.7

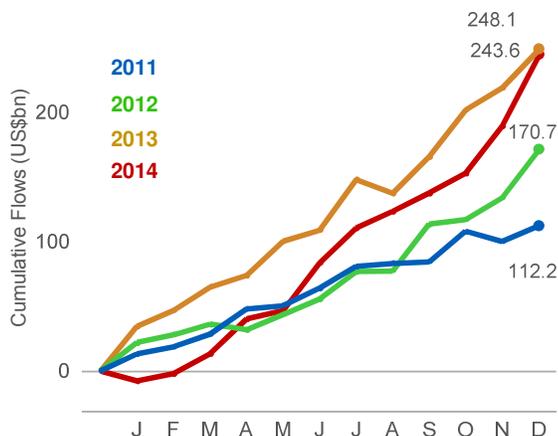
## GLOBAL ETP CUMULATIVE FLOWS<sup>1</sup>

2014 Flows \$330.6bn vs. 2013 Flows: \$236.1bn



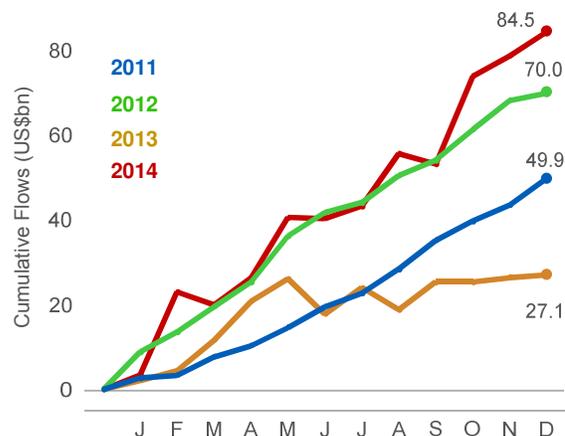
## CUMULATIVE EQUITY ETP FLOWS<sup>1</sup>

2014 Equity Flows: \$243.6bn



## CUMULATIVE FIXED INCOME ETP FLOWS<sup>1</sup>

2014 Fixed Income Flows: \$84.5bn

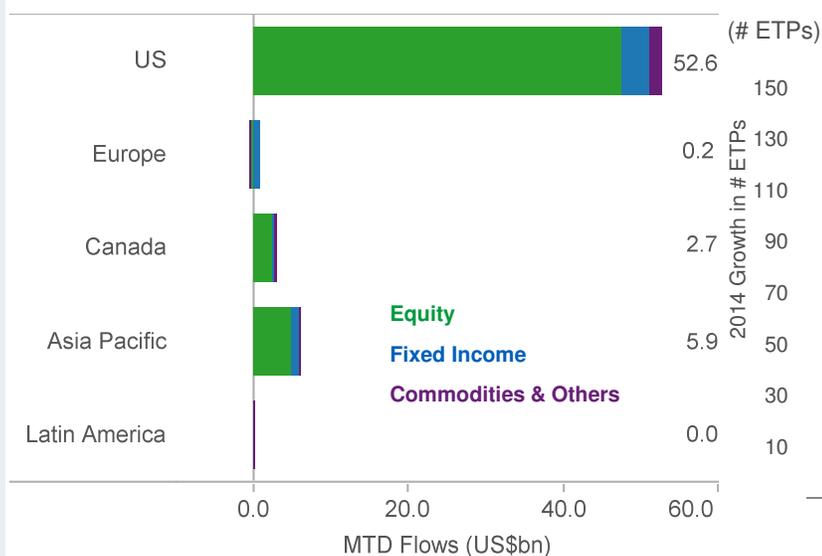


# Flows By Listing Region

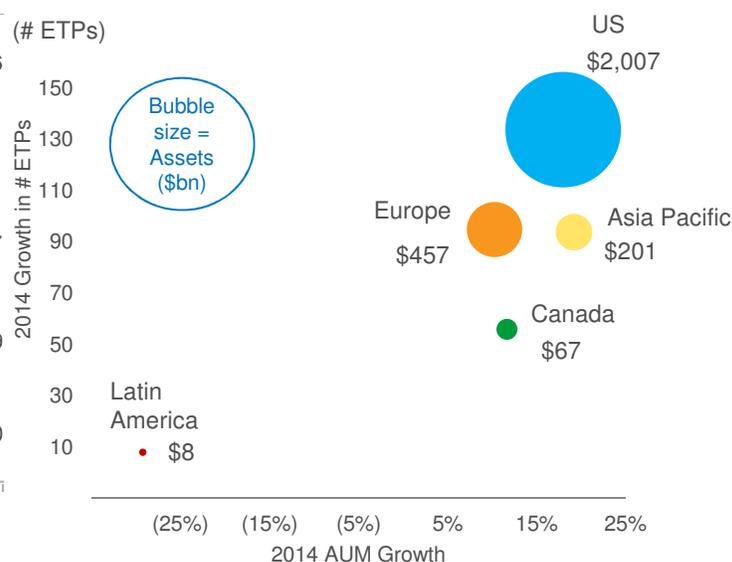
## Highlights (US\$):<sup>1</sup>

- ▶ US-listed ETPs contributed \$246.1bn in 2014, three quarters of all flows globally, and passed \$2.0 trillion in assets
- ▶ Europe-listed ETPs finished the year with \$61.4bn, three times the total for 2013
- ▶ Canada had the best month of the year to reach \$9.1bn
- ▶ Asia Pacific-listed ETP flows in December rebounded from November redemptions, bringing full-year flows to \$16.0bn. Total assets under management for the region surpassed the \$200bn milestone for the first time.

### MTD FLOWS BY LISTING REGION<sup>1</sup>



### ASSET GROWTH RATES AND # OF ETPs<sup>1</sup>



### LISTING REGION VIEW<sup>1</sup>

By Listing Region	Net Flows (\$bn)		Dec 2014 Assets (\$bn)	% Asset Market Share	Number of Products
	Dec 2014	Annual 2014			
US	52.6	246.1	2,006.7	72.2	1,670
Europe	0.2	61.4	457.3	16.5	2,262
Canada	2.7	9.1	66.5	2.4	347
Latin America	0.0	(2.0)	7.8	0.3	46
Asia Pacific	5.9	16.0	201.1	7.2	726
Middle East and Africa	Not Available	Not Available	38.7	1.4	377
<b>Global ETP Total</b>	<b>61.5</b>	<b>330.6</b>	<b>2,778.1</b>	<b>100.0</b>	<b>5,428</b>

## Fund Inflows and Outflows

ETPs as of December 2014 (US\$bn) <sup>1</sup>	Bloomberg Ticker	2014 Inflows	Dec-14 Assets
SPDR® S&P 500	SPY US	24.7	215.9
iShares® Core S&P 500 ETF	IVV US	10.7	70.8
Vanguard S&P 500	VOO US	10.3	27.5
Vanguard Total Bond Market	BND US	7.8	26.0
iShares® Core U.S. Aggregate Bond ETF	AGG US	7.4	23.3
Vanguard FTSE Developed Markets ETF	VEA US	7.3	24.2
Vanguard Total Stock Market	VTI US	7.2	50.9
Vanguard S&P 500 UCITS ETF	VUSA LN	6.8	10.2
iShares® Core S&P 500 UCITS ETF	CSSPX SW	6.6	10.3
WisdomTree Europe Hedged Equity	HEDJ US	5.1	5.6
<b>Grand Total</b>		<b>94.1</b>	<b>464.7</b>

ETPs as of December 2014 (US\$bn) <sup>1</sup>	Bloomberg Ticker	2014 Outflows	Dec-14 Assets
PowerShares QQQ	QQQ US	(11.4)	40.4
iShares® Core DAX® UCITS ETF (DE)	DAXEX GY	(10.4)	10.5
iShares® MSCI Emerging Markets ETF	EEM US	(5.4)	32.2
SPDR® Gold	GLD US	(3.3)	27.3
Market Vectors® Agribusiness	MOO US	(3.1)	1.4
iShares® NAFTRAC	NAFTRAC MM	(2.2)	4.2
Materials Select Sector SPDR®	XLB US	(1.7)	2.8
WisdomTree Emerging Markets Equity Income	DEM US	(1.6)	2.4
ProShares Ultra S&P 500	SSO US	(1.6)	2.4
Technology Select Sector SPDR®	XLK US	(1.5)	13.4
<b>Grand Total</b>		<b>(42.2)</b>	<b>137.1</b>

# Equity ETP Flows by Exposure

Exposure		Dec 2014 Flows (\$bn)	2014 Flows (\$bn)	Assets (\$bn)	# ETPs	
Equity	Large cap	24.0	84.2	624.3	247	
	Mid cap	0.9	5.8	97.8	50	
	Small cap/Micro cap	2.4	3.6	96.6	79	
	Total market/Extended Market	1.9	16.3	94.0	73	
	Preferred stock	0.2	3.1	16.0	5	
	<b>US size &amp; style total</b>	<b>29.4</b>	<b>112.9</b>	<b>928.7</b>	<b>454</b>	
	Basic Materials	(0.2)	(1.9)	5.8	16	
	Consumer Cyclical	3.8	2.2	19.4	20	
	Consumer Non-cyclicals	0.6	4.2	16.0	14	
	Energy	3.2	11.7	41.7	50	
	Financials	3.8	4.2	40.1	42	
	Health Care	1.1	6.6	39.8	36	
	Industrials	(0.1)	0.2	17.0	21	
	Real Estate	1.2	7.4	43.0	22	
	Technology	0.4	2.8	32.5	31	
	Telecommunications	0.1	0.5	1.5	6	
	Utilities	2.7	4.5	12.9	14	
	Others	0.0	0.4	2.1	8	
	<b>US sector total</b>	<b>16.6</b>	<b>42.8</b>	<b>271.6</b>	<b>280</b>	
	US high dividend / other strategy	2.0	13.0	91.3	84	
	<b>US total</b>	<b>48.0</b>	<b>168.7</b>	<b>1,291.6</b>	<b>818</b>	
	Canada	1.9	0.6	32.6	96	
	North America regional equity	(0.1)	1.1	9.8	25	
	Europe	Large Cap	1.1	0.8	41.5	86
		Mid/Small Cap	(0.2)	(0.6)	3.5	28
		Total Market	1.9	11.4	53.6	90
		<b>Pan European size &amp; style total</b>	<b>2.9</b>	<b>11.5</b>	<b>98.6</b>	<b>202</b>
Pan European sector		(0.7)	1.6	14.1	143	
Pan European strategy		0.1	0.6	3.6	30	
<b>Pan European total</b>		<b>2.3</b>	<b>13.7</b>	<b>116.3</b>	<b>377</b>	
Germany		(3.0)	(10.6)	26.7	75	
U.K.		(0.5)	1.1	20.8	65	
Other European countries		0.6	3.6	29.0	138	
<b>Europe single country total</b>		<b>(2.9)</b>	<b>(6.0)</b>	<b>76.5</b>	<b>278</b>	
<b>Europe total</b>	<b>(0.6)</b>	<b>7.7</b>	<b>192.8</b>	<b>655</b>		
Asia-Pacific	Japan	5.6	19.2	134.2	183	
	Other Asia-Pacific	(0.3)	3.2	41.4	162	
	<b>Asia-Pacific total</b>	<b>5.3</b>	<b>22.3</b>	<b>175.6</b>	<b>345</b>	
Broad developed markets (including Global/Global ex-US)		6.5	44.9	231.0	513	
<b>Developed markets total</b>		<b>61.0</b>	<b>245.4</b>	<b>1,933.3</b>	<b>2,452</b>	
Emerging markets	Broad emerging markets	(3.3)	(1.9)	113.5	127	
	Regional emerging markets	(0.2)	(0.0)	6.2	71	
	China	(1.8)	(2.9)	76.1	228	
	South Korea	0.4	0.9	19.4	121	
	Mexico	(0.4)	(2.1)	7.8	24	
	India	0.2	2.8	9.9	59	
	Other EM Countries	(1.5)	1.4	26.6	223	
	<b>EM single country total</b>	<b>(3.1)</b>	<b>0.1</b>	<b>139.7</b>	<b>655</b>	
<b>Emerging markets total</b>	<b>(6.7)</b>	<b>(1.8)</b>	<b>259.3</b>	<b>853</b>		
<b>Equity total</b>		<b>54.3</b>	<b>243.6</b>	<b>2,192.6</b>	<b>3,305</b>	

# Fixed Income & Other ETP Flows by Exposure

Exposure		Dec 2014 Flows (\$bn)	2014 Flows (\$bn)	Assets (\$bn)	# ETPs	
Fixed Income	Corporate	Investment grade	2.2	22.3	99.4	154
		High yield	(0.3)	4.0	45.5	58
		<b>Corporate total</b>	<b>2.0</b>	<b>26.2</b>	<b>144.9</b>	<b>212</b>
	Government	US Treasury	(1.6)	12.5	45.1	80
		Sovereign	0.2	6.7	45.0	264
		<b>Government total</b>	<b>(1.4)</b>	<b>19.2</b>	<b>90.1</b>	<b>344</b>
	Broad / aggregate	4.8	19.8	64.2	43	
	Govt / corporate	(0.6)	6.0	38.2	32	
	Inflation	0.2	0.4	25.4	38	
	Emerging markets	0.1	6.1	24.3	84	
	Municipal	0.4	3.2	15.3	37	
	Mortgage	0.4	1.9	9.1	9	
	Money market	0.0	(0.3)	4.2	19	
Other Fixed Income	(0.1)	1.9	14.5	39		
<b>Fixed income total</b>		<b>5.7</b>	<b>84.5</b>	<b>430.3</b>	<b>857</b>	
Commodities	Precious Metals	Gold	(0.6)	(4.5)	62.1	131
		Silver	(0.4)	0.3	9.2	70
		Other	0.0	(0.3)	4.5	81
		<b>Precious metals total</b>	<b>(1.0)</b>	<b>(4.5)</b>	<b>75.9</b>	<b>282</b>
	Broad market	0.4	1.0	14.3	111	
	Energy	2.5	3.6	7.8	208	
	Agriculture	(0.2)	(0.5)	4.3	187	
Industrial metals	(0.1)	0.1	1.8	118		
<b>Commodities total</b>		<b>1.5</b>	<b>(0.4)</b>	<b>104.0</b>	<b>906</b>	
Other	Alternatives	Volatility	(0.4)	1.2	3.9	47
		Other	0.1	0.4	3.1	69
	<b>Alternatives total</b>	<b>(0.3)</b>	<b>1.7</b>	<b>7.0</b>	<b>116</b>	
	Asset allocation	0.2	1.9	6.3	78	
	Currency	0.1	(0.6)	4.6	166	
Israel ETP	0.0	0.0	33.4	0		
<b>Global ETP total</b>		<b>61.5</b>	<b>330.6</b>	<b>2,778.1</b>	<b>5,428</b>	

# 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 December 30, 2014 for Europe and December 31, 2014 for the US, Canada, Latin America, Israel, and some Asia ETPs. Some Asia ETP data is as of November 30, 2014. 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. We classify maturity buckets of a Fixed Income ETP if the fund invests at least 70% of its assets in the corresponding maturity/exposure range: Short maturity includes: underlying security maturities < 3 years and floating rate where the fund holds floating rate securities and/or bank loans. Intermediate includes: 3 years < underlying security maturities < 10 years. The "other" category includes Long-Term: underlying security maturities > 10 years; Broad Maturities: The fund invests in more than two maturity buckets without emphasizing one; Selected Maturities: The fund holds securities with multiple selected range of maturity buckets, i.e. barbell strategy which focuses on the specific short-term and long-term buckets with even weights; and Fixed Maturity: The fund itself has a target maturity date and arranged holdings correspondingly.
3. US Bureau of Economic Analysis
4. Markit iBoxx USD Liquid Investment Grade Index (total return in USD, Bloomberg ticker IBOXIG Index)
5. S&P 500 Index (total return in USD, Bloomberg ticker SPXT Index)

**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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