

BLACKROCK GLOBAL ETP LANDSCAPE

OCTOBER 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

For inquiries, please email ETPresearch@BlackRock.com

GLOBAL ETP FLOWS ADVANCE TO NEW HIGHS ON FIXED INCOME STRENGTH AND STIMULUS PROSPECTS

- ▶ Global ETPs gathered \$36.2bn in October driven by corporate fixed income, U.S. equity and emerging markets equity funds and with flows boosted by monetary stimulus and sentiment that rates will stay low for longer
- ▶ Fixed Income brought in \$14.7bn focused in high yield and investment grade corporates, propelling year-to-date flows above 2014 full-year flows and lifting assets for the category to greater than \$500bn for the first time
- ▶ U.S. equities collected \$10.3bn as stocks rallied amid solid tech company earnings and increased M&A activity
- ▶ Emerging markets equity funds drew in \$4.6bn, snapping a four-month streak of outflows, bolstered by Chinese central bank rate cuts and other policy moves
- ▶ Prospects for more stimulus from the European Central Bank benefited European equities and drove flows to pan-European and broad developed markets equity funds of \$3.0bn and \$2.4bn, respectively

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Global ETP Highlights

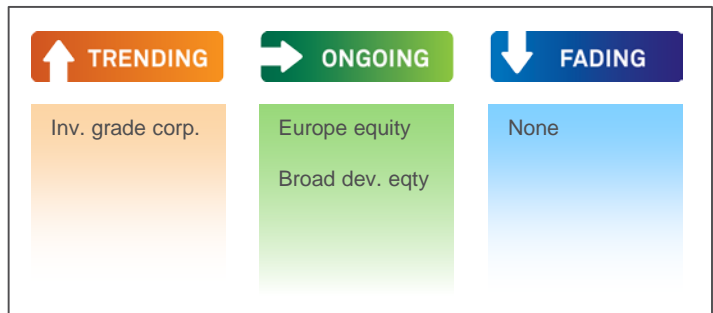
Global ETPs gathered \$36.2bn in October, boosted by increased stimulus efforts and diminished expectations for a Fed rate hike this year amid sluggish global growth. The industry remains on record pace with \$270.9bn year-to-date versus \$239.4bn for year-to-date 2014.

Fixed Income saw another month of strong flows, gathering \$14.7bn and driving year-to-date flows above the full-year 2014 total. Assets under management also surpassed \$500bn for the first time, underscoring the growth of fixed income ETPs and increased usage by investors.

Fixed income flows in October were driven by higher yielding corporate funds. **High yield** and **investment grade corporate bond** funds collected \$6.1bn and \$4.4bn, respectively, focused in intermediate and long maturities. Investment grade corporates in particular have been consistent all year and year-to-date flows are well ahead of 2014 pace (see below). **Treasury funds** saw outflows of (\$1.2bn), focused in short maturity funds and fueled by perception that higher rates are less imminent.

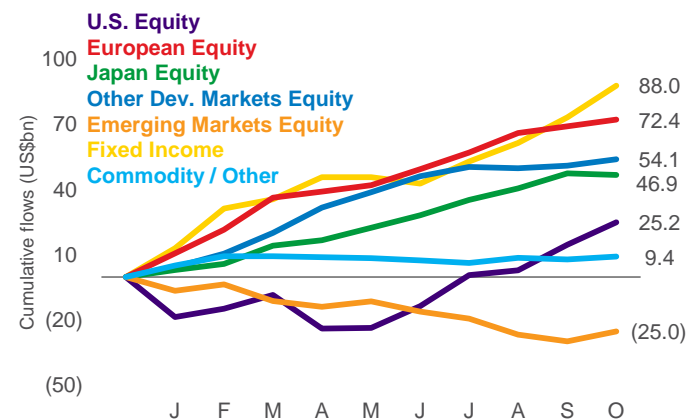
U.S. equity ETPs collected \$10.3bn as equity markets in the U.S. rebounded from September lows. Stocks benefited from better-than-anticipated technology company earnings and robust M&A activity, including the Dell/EMC and AB InBev/SAB Miller acquisitions. **Large cap** funds added \$3.4bn and sector funds drew in \$4.7bn, focused in cyclical sectors like consumer staples and real estate.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

2015 YTD flows: \$270.9bn

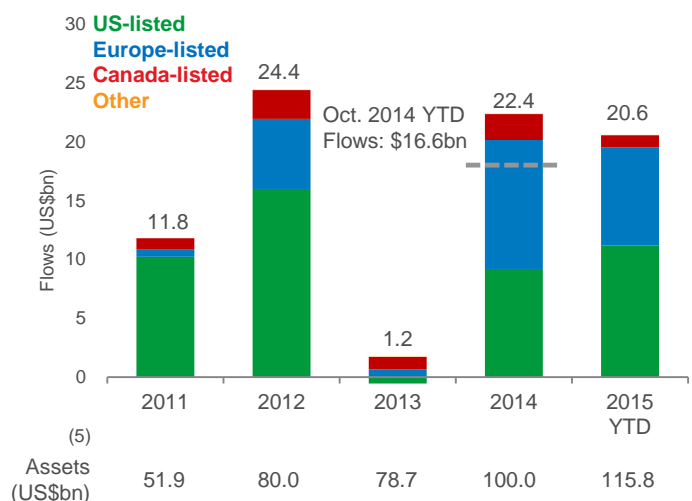


SPOTLIGHT ON INVESTMENT GRADE CORPORATE ETPS

2015 year-to-date flows for fixed income through October grew to \$88.0bn and have already surpassed the full-year 2014 total of \$84.9. Investment grade corporate debt funds were a significant contributor, with a new monthly record in October. A number of factors have aided flows to the category:

- 1) Though perceived as less imminent, the Fed continues to signal a rate rise on the horizon. Corporate bond funds can mitigate the impact of higher rates because of the higher income they generate relative to Treasury funds.
- 2) Short-term corporate bond returns were competitive with equities, which have seen significant volatility (the Markit iBoxx USD Liquid Investment Grade 0-5 Index was up 1.5%² compared to 2.7% for the S&P 500 on a total return basis³).
- 3) Europe-listed investment grade products are ahead of 2014's record pace amid European Central Bank buying and prospects for additional stimulus.

GLOBAL INVESTMENT GRADE CORPORATE ETP FLOWS BY LISTING REGION



Global ETP Highlights (cont'd)

Emerging markets (EM) equity funds brought in \$4.6bn, breaking a four-month streak of outflows, as the Chinese central bank cut rates, marking the sixth reduction since November 2014. Dovish Fed sentiment and agreement on the terms of the Trans-Pacific Partnership trade pact early in the month provided additional tailwinds for the category.

Broad EM funds led with \$3.0bn while **China equity** funds gained \$1.2bn.

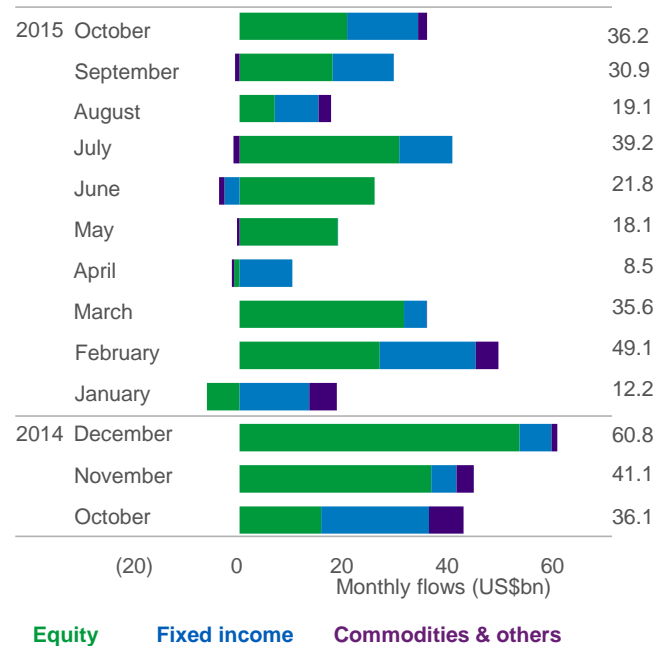
Stronger economic data along with comments from European Central Bank President Mario Draghi suggesting that the bank is likely to step up stimulus measures pushed European equities higher this month. **Pan-European equity** funds drew in \$3.0bn and **broad developed markets equity** exposures gained \$2.4bn.

Japan equity funds shed (\$0.8bn), chiefly due to locally listed funds, as investors weighed the Bank of Japan's commitment to its 2% inflation target. The BOJ announced near the end of the month that it would hold steady on its stimulus program while also cutting forecasts for economic growth and inflation. BOJ Governor Haruhiko Kuroda stressed that inflation targets must be achieved in a balanced manner that includes stronger wage growth.

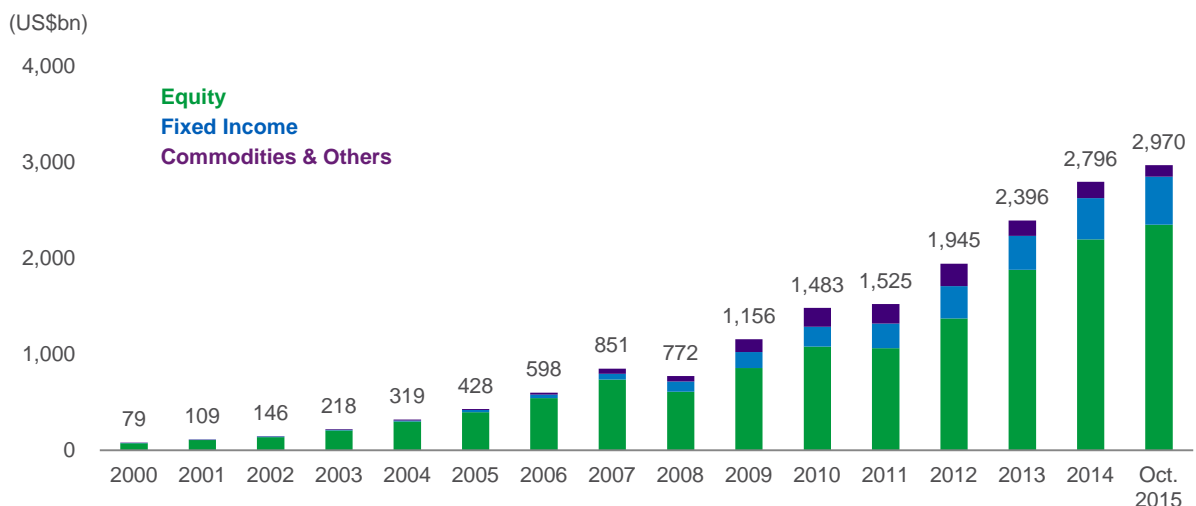
Commodity funds gathered \$1.2bn led by **crude oil** with \$0.6bn as oil prices rose sharply before sliding back lower as the month progressed and **gold** funds collected \$0.3bn as prices ticked up.

RESULTS AT A GLANCE¹

(US\$bn)	October 2015	December 2014	October 2014
Monthly flows	36.2	60.8	36.1
Year-to-date flows	270.9	329.6	239.4
Assets	2,970	2,796	2,686
# of ETPs	5,772	5,431	5,345



GLOBAL ETP ASSETS¹



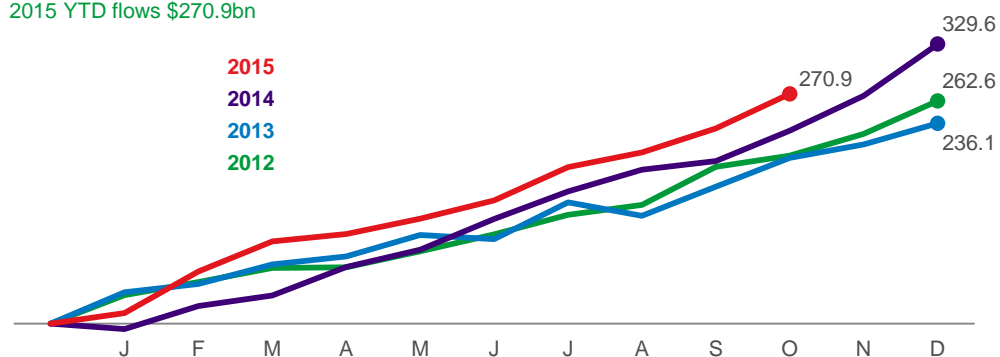
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

(US\$bn)		YTD 2015	YTD 2014	Annual 2014
Equity	Developed Markets Equity	198.5	146.4	243.9
	Emerging Markets Equity	(25.0)	6.4	(1.8)
	Total	173.5	152.8	242.1
Fixed Income	Government	23.1	22.9	19.5
	Investment Grade Corporate	20.6	16.6	22.4
	High Yield Corporate	9.8	3.2	3.8
	Others	34.5	32.3	39.1
	Total	88.0	74.9	84.9
Commodities & others	Total	9.4	11.7	17.2
Grand Total		270.9	239.4	329.6

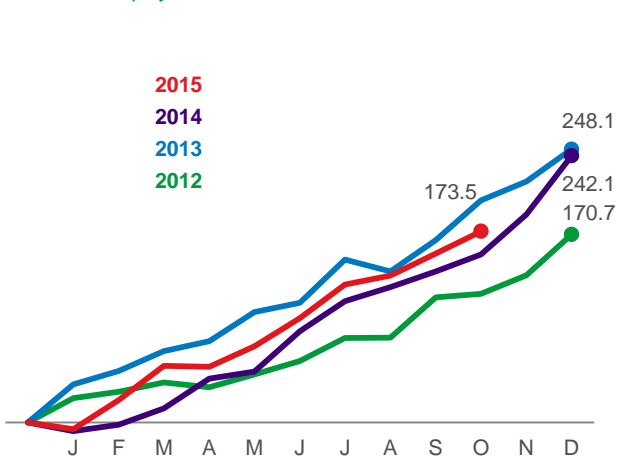
CUMULATIVE ETP FLOWS¹

2015 YTD flows \$270.9bn



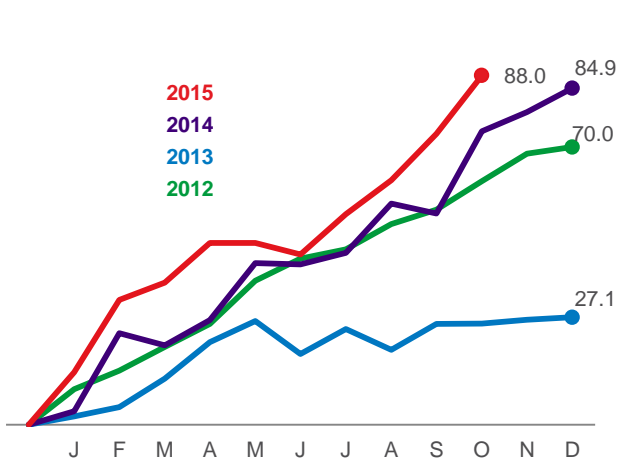
CUMULATIVE EQUITY ETP FLOWS¹

2015 YTD equity flows: \$173.5bn



CUMULATIVE FIXED INCOME ETP FLOWS¹

2015 YTD fixed income flows: \$88.0bn

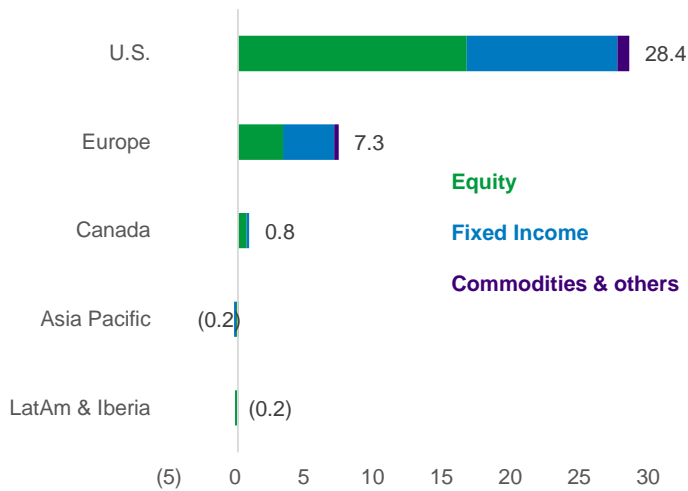


Flows By Listing Region

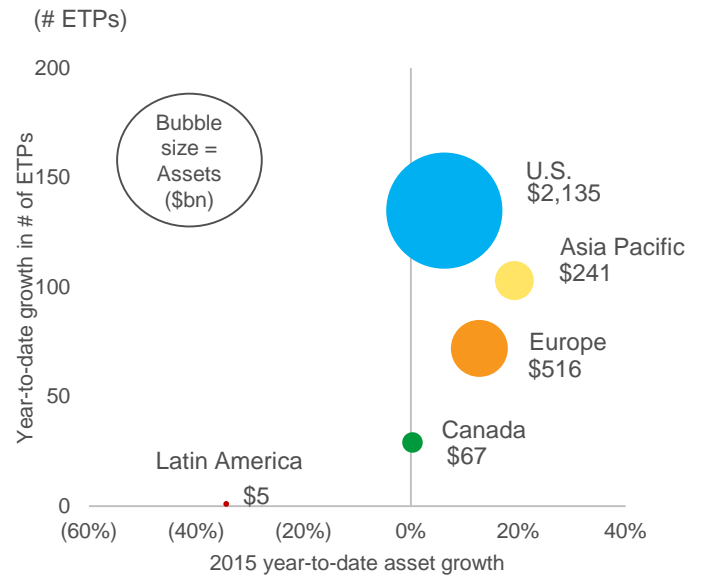
Highlights (US\$):¹

- ▶ U.S.-listed products led all regions with \$28.4bn in October driven by U.S. equity and corporate fixed income funds
- ▶ Europe-listed ETPs drew in \$7.3bn, focused in pan-European equities as well as corporate and sovereign fixed income
- ▶ Canada-listed ETPs gathered \$0.8bn to extend their streak of consecutive inflows to 21 months
- ▶ Asia Pacific-listed ETPs shed (\$0.2bn) as outflows from Japan equities offset gains in China and South Korea equities

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	28.4	168.8	62.3%	2,134.8	71.9%
Europe	7.3	69.3	25.6%	516.3	17.4%
Canada	0.8	10.1	3.7%	66.7	2.2%
Asia Pacific	(0.2)	24.1	8.9%	240.6	8.1%
Latin America & Iberia	(0.2)	(1.6)	-0.6%	5.1	0.2%
Middle East and Africa	Not available	Not available	NA	6.2	0.2%
Global ETP Total	36.2	270.9	100.0%	2,969.8	100.0%

ETP Flows by Exposure

(US\$bn)		MTD Flows	YTD Flows	Current Assets
Equity	US	10.3	25.2	1,308.4
	Broad Developed Markets	2.4	51.5	292.0
	Europe	3.1	72.4	266.4
	Asia-Pacific	(0.7)	49.6	233.8
	Canada	0.3	(0.1)	26.5
	Developed Equity	15.5	198.5	2,127.1
	Single Country	1.7	(20.5)	121.6
	Broad	3.0	(4.0)	96.3
	Regional	0.0	(0.5)	4.9
	Emerging Markets Equity	4.6	(25.0)	222.7
	Equity Total	20.2	173.5	2,349.8
Fixed Income	Investment Grade Corp	4.4	20.6	115.8
	Broad	2.0	12.2	75.6
	U.S. Government	(1.2)	14.5	59.1
	HY Corp	6.1	9.8	52.1
	Sovereign	1.3	8.6	50.3
	Municipal	0.6	3.2	18.4
	Other Fixed Income	1.4	19.1	130.9
	Fixed Income Total	14.7	88.0	502.3
Commodities	Gold	0.3	(1.2)	56.9
	Energy	0.8	9.9	13.8
	Silver	(0.1)	(0.1)	8.6
	Agriculture	(0.0)	(0.1)	3.6
	Other Precious Metals	0.0	(0.2)	3.4
	Other Commodities	0.1	(0.5)	12.6
	Commodities Total	1.2	7.8	98.9
Asset Allocation		0.0	0.9	6.8
Alternatives		0.3	0.9	7.4
Currency		(0.1)	(0.2)	4.5
Grand Total		36.2	270.9	2,969.8

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 October 29, 2015 for Europe and October 30, 2015 for the US, Canada, Latin America, and some Asia ETPs. Global ETP flows and assets are sourced using shares outstanding and net asset values from Bloomberg, as well as BlackRock internal sources, 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 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. Markit iBoxx USD Liquid Investment Grade 0-5 Index (total return in USD, Bloomberg ticker IBXXSIG1 Index)
3. 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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