

BLACKROCK GLOBAL ETP LANDSCAPE

SEPTEMBER 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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GLOBAL ETP FLOWS ACCELERATE IN SEPTEMBER ON STRENGTH IN SHORT MATURITY FIXED INCOME

- ▶ Global ETPs gathered \$28.4bn in September driven by the best fixed income flows since February as investors weighed the Fed's decision to leave rates unchanged
- ▶ Fixed Income drew in \$11.6bn, with almost half of all flows in short maturity products which are less-impacted by rising rates, fueled by Treasuries and a rebound in investment grade corporate bonds
- ▶ U.S. equities brought in \$11.2bn across large and small caps, concentrated in the period before the Fed announcement and trailing off in the second half of the month amid increased policy uncertainty
- ▶ Non-U.S. developed markets equities continue to gather assets as prospects for more reforms drove flows of \$6.2bn to Japan exposures and better economic data in Europe boosted pan-European equity flows to \$2.8bn
- ▶ Emerging markets equity funds shed (\$3.2bn) as economic news out of China continues to weigh on China equity and other Asia country equity fund flows

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Global ETP Highlights

Global ETPs gathered \$28.4bn in September as the Fed opted to hold rates at their current levels in light of recent global volatility and lackluster inflation and wage growth. Despite being a turbulent month for global equity indices, ETP flows stayed strong. The industry remains on record pace with \$230.4bn year-to-date versus \$191.6bn for year-to-date 2014.

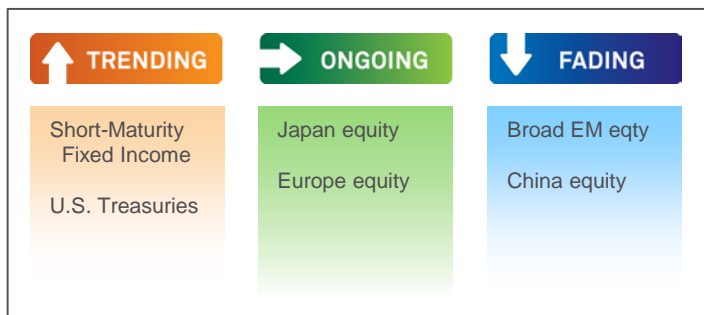
Fixed income ETPs saw steady inflows of \$11.6bn in the run-up to the Fed announcement, particularly short maturity products, which are less-impacted by rising rates.

Within fixed income, **short maturity** (see below) funds drew in \$5.7bn marking the third consecutive month with over \$5bn for the category. **Treasury** funds contributed roughly 40% of total short maturity flows, but intermediate and long-term Treasury funds also saw solid flows in tandem with falling long-term yields.

Investment grade corporate bond funds rebounded from outflows last month with \$1.4bn, roughly a fifth in short maturity funds, as investor appetite for credit risk stabilized. The higher yield on these funds can also help mitigate the impact of rising rates because of the higher income they generate relative to Treasuries.

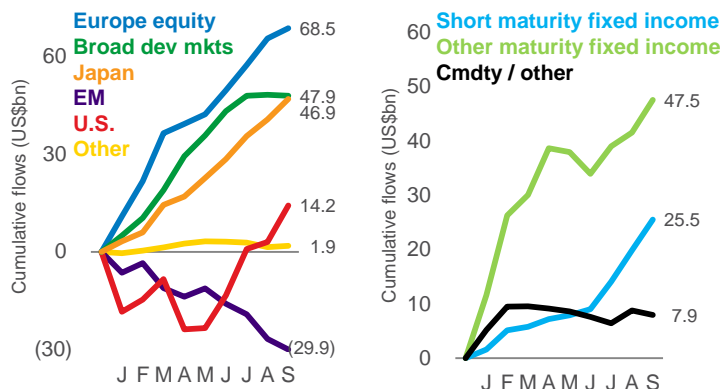
Additionally, short-maturity government/corporate debt funds, which include both government securities and corporate bonds, brought in \$1.4bn.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

2015 YTD flows: \$230.4bn

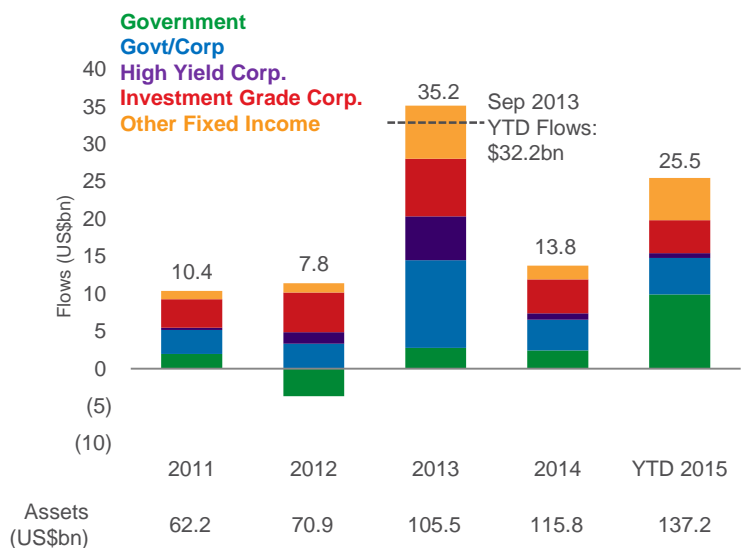


SPOTLIGHT ON SHORT MATURITY FIXED INCOME ETPS

Short maturity fixed income funds this year have already gathered more than double 2014's year-to-date flows to the category, though still less than 2013 when flows were boosted by investor reaction to the "taper tantrum". There are two primary factors at play in the migration toward short maturity:

- 1) The Fed has signaled plans to raise rates for over a year and markets have adjusted in preparation. Bonds with lower duration (a measure of a bond's sensitivity to interest rates) can help mitigate losses that stem from rising rates
- 2) Higher-yielding categories like corporate and emerging market bonds can provide larger income payments relative to Treasury and European sovereign debt, which can help cushion the impact of losses due to rising rates

GLOBAL SHORT MATURITY FIXED INCOME ETPS BY CATEGORY



Global ETP Highlights (cont'd)

Equity markets in the U.S. benefited from relative stability in international markets and drew in \$11.2bn across large and small-cap funds. Flows were concentrated in the days leading up to the Fed announcement and trailed off in the second half of the month amid increased policy uncertainty stemming from the Fed's dovish tone and increased focus on global developments.

Japan equity maintained momentum, pulling in \$6.2bn, as investors continue to be encouraged by the promise of further corporate governance reform measures. Additionally, September 9th marked the biggest one-day rally in seven years for Japanese stocks.

Pan-European equity also held course with inflows of \$2.8bn as equities continue to benefit from evidence of a stabilizing economy as broader economic data continue to come in strong.

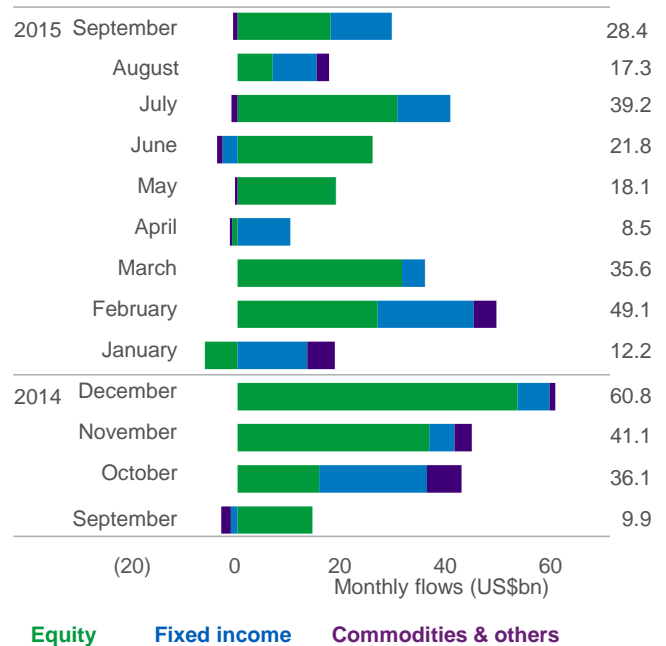
Emerging markets (EM) equity ETPs shed (\$3.2bn) in September as Chinese economic data continued to disappoint, dampening Chinese and other Asia Pacific equities. **South Korea** and **China equities** bore the brunt of country-specific fund outflows with (\$0.5bn) each while **broad EM** funds shed (\$0.8bn).

High yield corporate bond funds had outflows of (\$1.3bn) as the category continues to face the twin threats of falling global growth expectations and slumping energy prices.

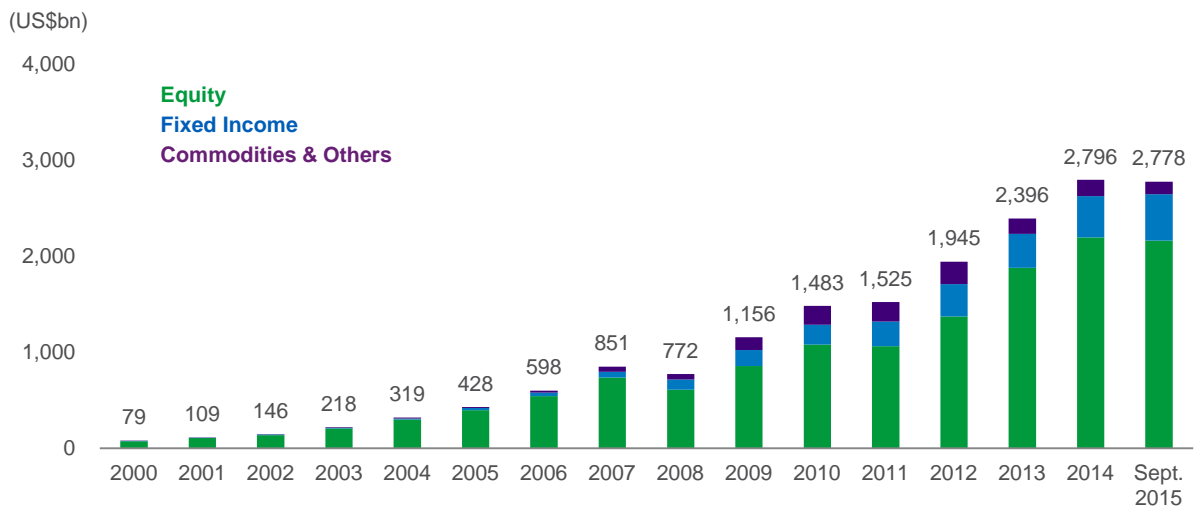
Volatility in September did not benefit commodity funds which shed (\$0.4bn) overall from across **precious metal** and **crude oil** funds, although **gold** funds garnered \$0.2bn.

RESULTS AT A GLANCE¹

(US\$bn)	September 2015	December 2014	September 2014
Monthly flows	28.4	60.8	9.9
Year-to-date flows	230.4	329.6	191.6
Assets	2,778	2,796	2,622
# of ETPs	5,713	5,431	5,303



GLOBAL ETP ASSETS¹



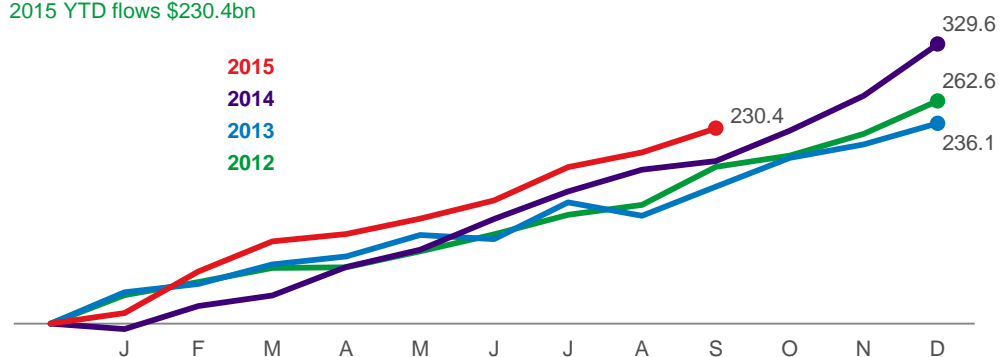
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

(US\$bn)		YTD 2015	YTD 2014	Annual 2014
Equity	Developed Markets Equity	179.3	127.0	243.9
	Emerging Markets Equity	(29.9)	10.2	(1.6)
	Total	149.4	137.2	242.1
Fixed Income	Government	22.9	13.0	19.5
	Investment Grade Corporate	16.0	13.7	22.4
	High Yield Corporate	3.8	0.9	3.8
	Others	30.4	25.7	39.1
	Total	73.0	53.3	84.9
Commodities & others	Total	7.9	1.1	2.6
Grand Total		230.4	191.6	329.6

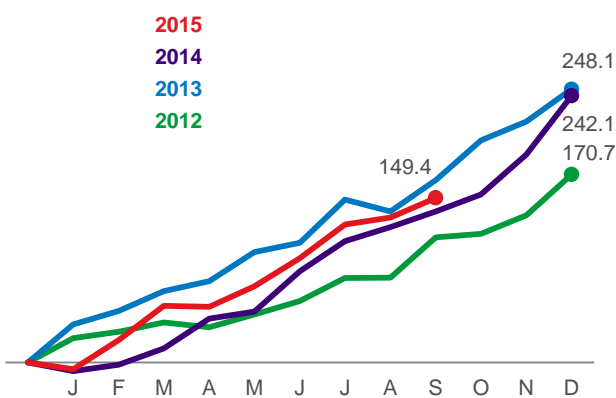
CUMULATIVE ETP FLOWS¹

2015 YTD flows \$230.4bn



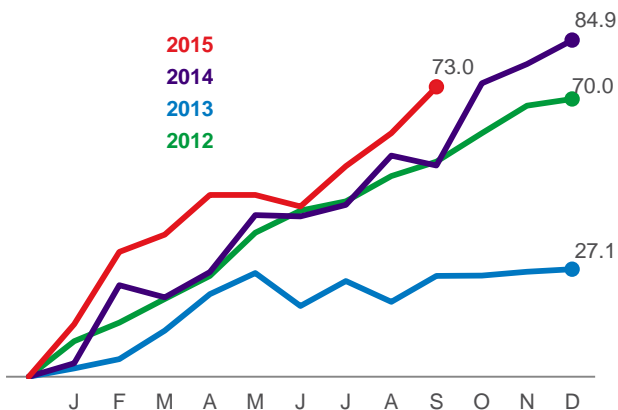
CUMULATIVE EQUITY ETP FLOWS¹

2015 YTD equity flows: \$149.4bn



CUMULATIVE FIXED INCOME ETP FLOWS¹

2015 YTD fixed income flows: \$73.0bn

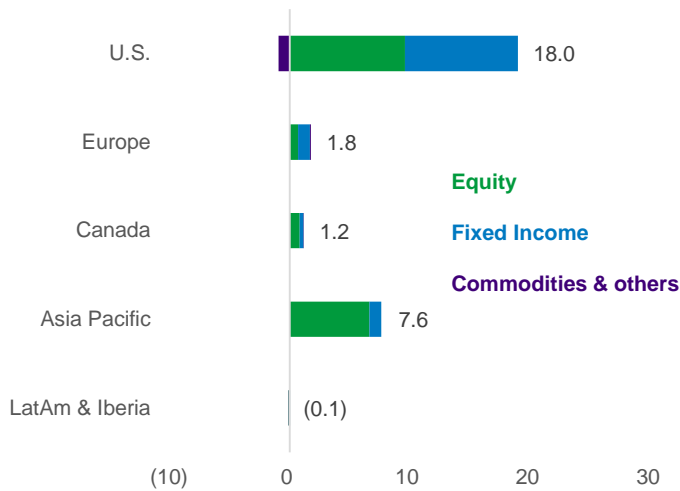


Flows By Listing Region

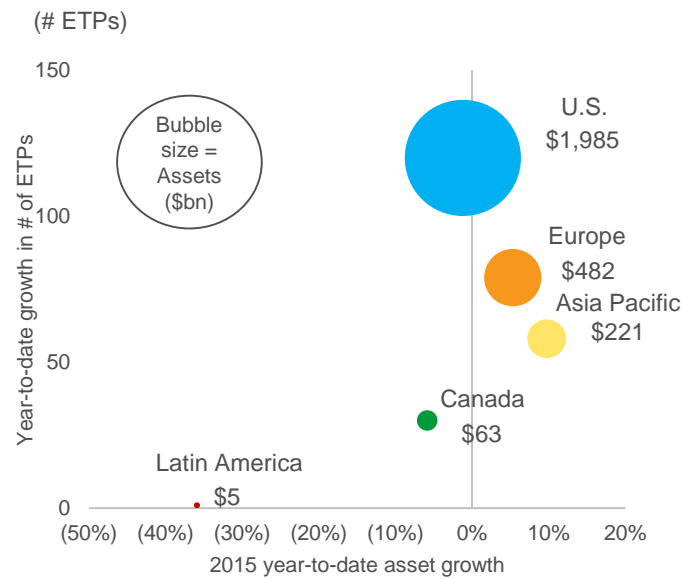
Highlights (US\$):¹

- ▶ U.S.-listed products led all regions with \$18.0bn in September driven by U.S. equity and Treasury funds
- ▶ Europe-listed ETPs cooled to \$1.8bn, focused in pan-European equities and sovereign fixed income
- ▶ Canada-listed ETPs gathered \$1.2bn to extend their streak of consecutive inflows to 20 months
- ▶ Asia Pacific-listed ETPs brought in \$7.6bn on strength in Japan equities and despite continuing concerns over 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	18.0	139.0	60.0%	1,984.6	71.4%
Europe	1.8	60.4	26.2%	482.0	17.3%
Canada	1.2	9.1	4.0%	62.6	2.3%
Asia Pacific	7.6	23.1	10.0%	221.3	8.0%
Latin America & Iberia	(0.1)	(1.4)	(0.6%)	5.0	0.2%
Middle East and Africa	Not available	Not available	NA	22.4	0.8%
Global ETP Total	28.4	230.4	100.0%	2,777.9	100.0%

ETP Flows by Exposure

(US\$bn)		MTD Flows	YTD Flows	Current Assets
Equity	US	11.2	14.2	1,207.6
	Broad Developed Markets	(0.2)	47.9	268.3
	Europe	3.1	68.5	244.6
	Asia-Pacific	6.2	49.4	215.1
	Canada	0.4	(0.6)	24.7
	Developed Equity	20.8	179.3	1,960.3
	Single Country	(2.1)	(22.3)	110.4
	Broad	(0.8)	(7.2)	87.7
	Regional	(0.3)	(0.5)	4.6
	Emerging Markets Equity	(3.2)	(29.9)	202.7
	Equity Total	17.6	149.4	2,163.0
	Fixed Income	Investment Grade Corp	1.4	16.0
Broad		1.7	10.2	73.5
U.S. Government		5.0	15.7	60.4
HY Corp		(1.3)	3.8	44.9
Sovereign		1.3	7.2	49.0
Municipal		0.2	2.6	17.8
Other Fixed Income		3.4	17.6	128.4
Fixed Income Total		11.6	73.0	484.8
Commodities	Gold	0.2	(1.5)	55.0
	Energy	(0.2)	9.1	13.2
	Silver	(0.1)	(0.1)	8.1
	Agriculture	(0.0)	(0.0)	3.6
	Other Precious Metals	(0.1)	(0.2)	19.6
	Other Commodities	(0.1)	(0.6)	12.5
	Commodities Total	(0.4)	6.6	111.9
Asset Allocation		0.0	0.8	6.5
Alternatives		(0.4)	0.6	7.1
Currency		(0.1)	(0.1)	4.6
Grand Total		28.4	230.4	2,777.9

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 September 29, 2015 for Europe and September 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.

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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