

BLACKROCK GLOBAL ETP LANDSCAPE

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The opinions expressed are as of February 29th 2016
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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

GOLD AND TREASURIES DRIVE GLOBAL ETP FLOWS AMID CONCERNS OVER GROWTH, OIL AND VOLATILITY

- ▶ Global ETPs gathered \$9.4bn in February marked by record inflows to gold and strong flows to Treasuries as investors weighed global growth and plunging oil prices
- ▶ Minimum volatility equity fund flows climbed to a record \$3.9bn as investors sought to mitigate the impact of higher volatility
- ▶ U.S. equity ETPs shed (\$8.8bn) overall and European equities had outflows of (\$4.2bn) amid weak earnings and lackluster economic growth in both regions
- ▶ Diminished prospects for higher rates bolstered flows to corporate fixed income funds with \$2.5bn in investment grade and \$1.6bn in high yield
- ▶ Crude oil funds brought in \$1.2bn as oil price volatility mounted intra-month

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Global ETP Highlights

Global ETPs gathered \$9.4bn in February led by gold and Treasury ETP flows as investors grappled with a jump in volatility, a plunge in oil prices and anemic global growth. Year-to-date global ETPs collected \$24.3bn, ahead of 2014 pace, but slower than 2015 when ETPs gathered \$61.2bn by the end of February.

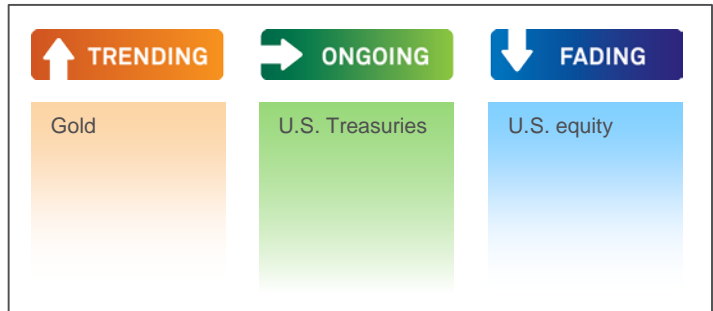
Gold funds set a new monthly flow record of \$7.2bn, surpassing the previous high set in 2009. Negative rates in Japan and Europe coupled with weak global growth have prompted a surge in interest, driving the spot price of gold above 1,200 or nearly 17% higher since the start of the year².

Slower growth and volatility swings have also meant diminished prospects for a rate hike in the U.S., bolstering flows to government debt. Coinciding with vaulting volatility in the first half of February, **Treasury** fund flows climbed to \$4.7bn, evenly split between intermediate and long maturities. **Sovereign debt** funds also saw inflows of \$0.6bn.

As volatility subsided in the second half of the month, flows to corporate bond funds rebounded, recovering from outflows in January. **Investment grade bond** funds collected \$2.5bn and **high yield** gained \$1.6bn. Broad fixed income products also gained \$1.4bn.

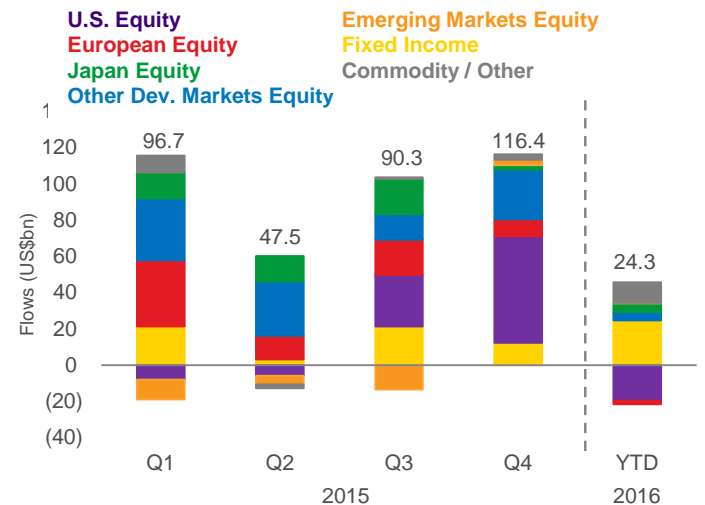
Greater volatility also spurred flows into **minimum volatility** products. Minimum volatility funds set a new monthly flow record of \$3.9bn, focused in U.S. equity products, but EAFE products also benefited (see below).

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

2016 flows: \$24.3bn

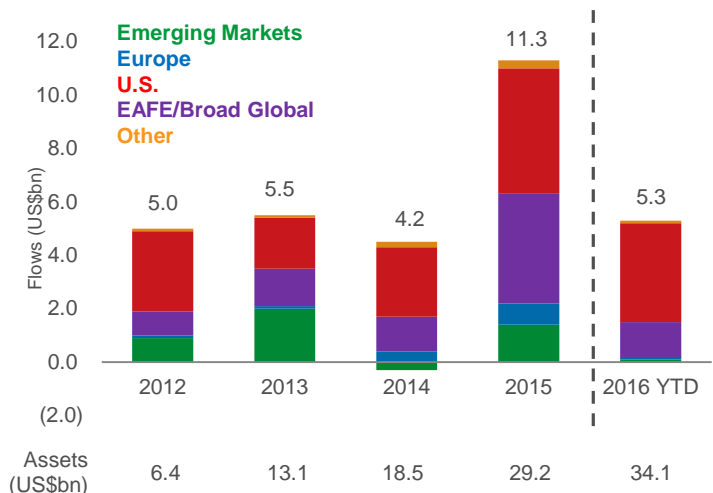


SPOTLIGHT ON MINIMUM VOLATILITY EQUITY ETPS

Minimum volatility (also known as low volatility or low beta) products track an index that is augmented to reduce the volatility of the underlying market. Minimum volatility equity products have seen robust growth since their advent in 2011, with total AUM growing more than five fold since 2012, and with \$5.3bn in year-to-date flows in 2016, minimum volatility equity products are on record pace for asset gathering. Two reasons minimum volatility has been in the spotlight in 2016 are:

- 1) Volatility has climbed in 2016 with the daily average VIX level growing to 23.1 versus 17.0 for Q4 2015 and 16.7 for all of 2015³
- 2) While the standard MSCI USA and MSCI EAFE indexes have fallen (5.9%) and (9.2%), respectively, year to date, the Minimum Volatility versions fell only (0.7%) and (3.3%), respectively⁴

GLOBAL MINIMUM VOLATILITY EQUITY ETPs BY GEOGRAPHY OF EXPOSURE



Global ETP Highlights (cont'd)

Despite strength in minimum volatility, **U.S. equity** ETPs overall experienced another month of severe outflows, shedding (\$8.8bn). Large caps saw the largest withdrawals with (\$5.3bn) amid weak earnings growth and pessimistic forecasts. Within equity sector funds, health care was hit hardest, shedding (\$3.0bn), followed by financials and technology with (\$1.0bn) each, while utilities gained \$2.4bn. Underscoring bearish sentiment in U.S. equities, **inverse equity** ETPs, products which benefit from falling prices in U.S. stocks, brought in \$1.8bn, the best flows to these funds since 2011.

European equities shed (\$4.2bn) as firms in Europe, particularly financials, also had lackluster earnings and lower forecasts. Speculation in the run-up to a United Kingdom referendum on European Union membership has put additional pressure on the European Central Bank to deliver more aggressive stimulus.

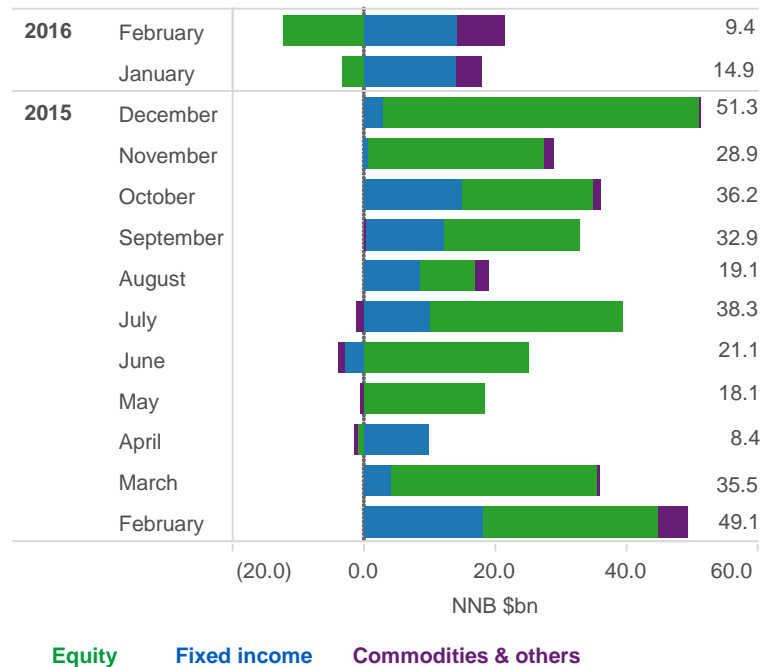
While **broad emerging markets** funds shed (\$0.4bn), **South Korea equity** saw inflows with \$0.4bn and **China equity** funds added \$0.3bn as investors weighed prospects for more stimulus against a declining yuan. Additionally, single country products across **Latin America** added a combined \$0.3bn largely following a surprise rate hike by the Central Bank of Mexico.

Crude oil products gathered \$1.2bn as oil prices suffered through another volatile month. Although Iran threw cold water on the recent Saudi/Russian production agreement, any talk aimed at stabilizing production is welcomed by the markets.

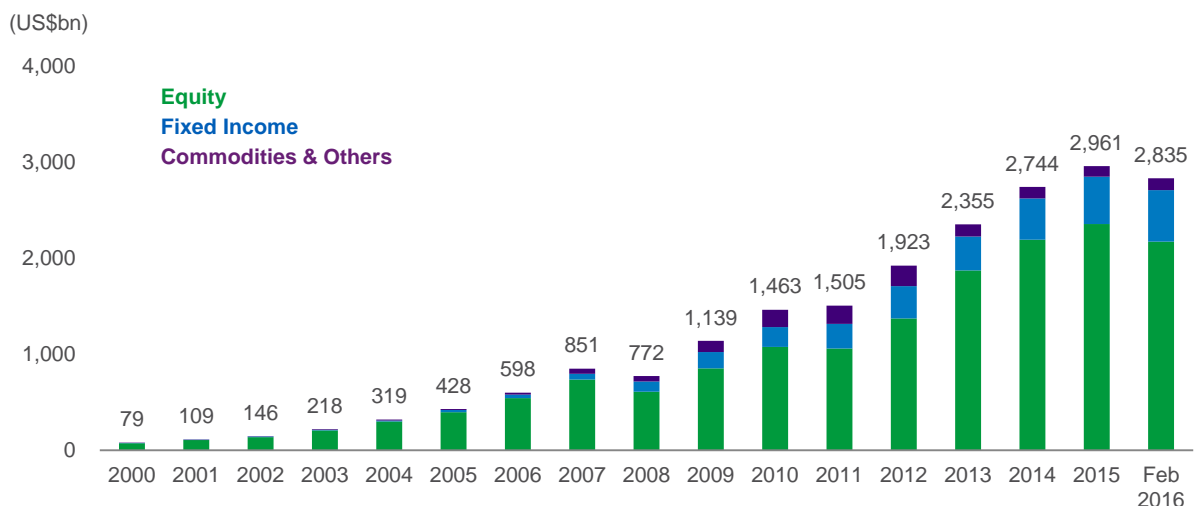
RESULTS AT A GLANCE¹

(US\$bn)	February 2016	December 2015	February 2015
Monthly flows	9.4	51.3	49.1
Year-to-date flows	24.3	350.9	61.2
Assets	2,835	2,961	2,880
# of ETPs	5,867	5,847	5,519

GLOBAL 13-MONTH ROLLING FLOWS¹



GLOBAL ETP ASSETS¹



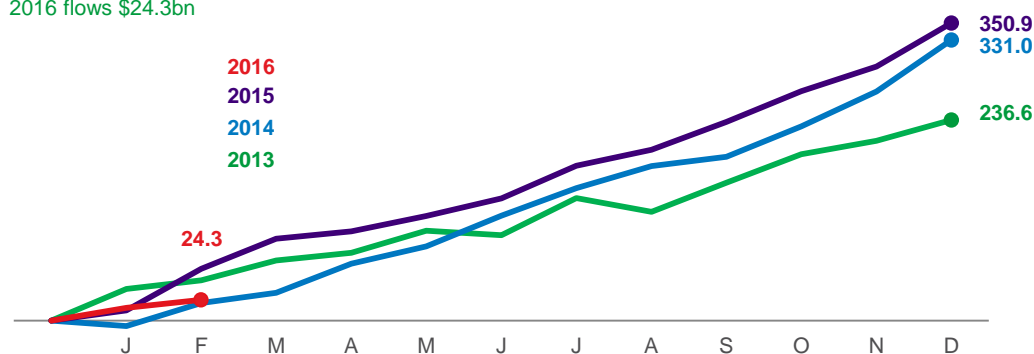
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

(US\$bn)		YTD 2016	YTD 2015	Annual 2015
Equity	Developed Markets Equity	(15.7)	23.7	273.9
	Emerging Markets Equity	0.3	(3.4)	(26.2)
	Total	(15.4)	20.3	247.7
Fixed Income	Government	15.6	8.0	16.9
	Investment Grade Corporate	2.7	7.5	24.6
	High Yield Corporate	1.6	7.5	8.3
	Others	8.4	8.3	41.9
	Total	28.3	31.4	91.7
Commodities & Others	Total	11.4	9.5	11.5
Grand Total		24.3	61.2	350.9

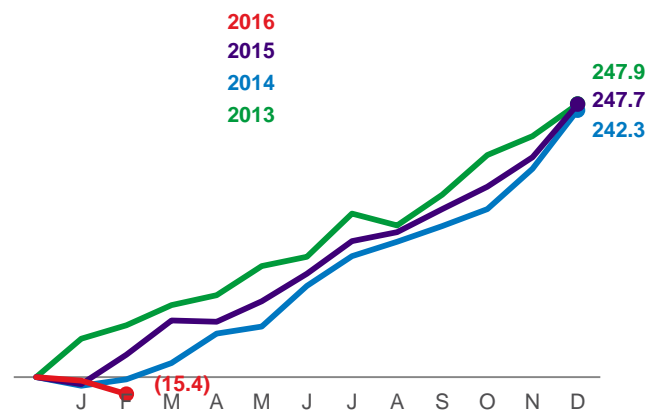
CUMULATIVE ETP FLOWS¹

2016 flows \$24.3bn



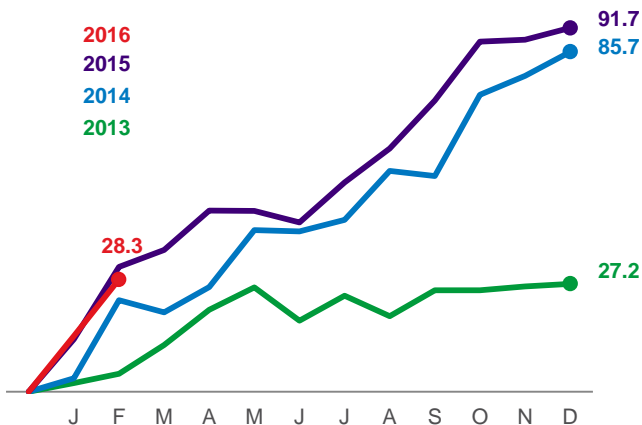
CUMULATIVE EQUITY ETP FLOWS¹

2016 equity flows: (\$15.4bn)



CUMULATIVE FIXED INCOME ETP FLOWS¹

2016 fixed income flows: \$28.3bn

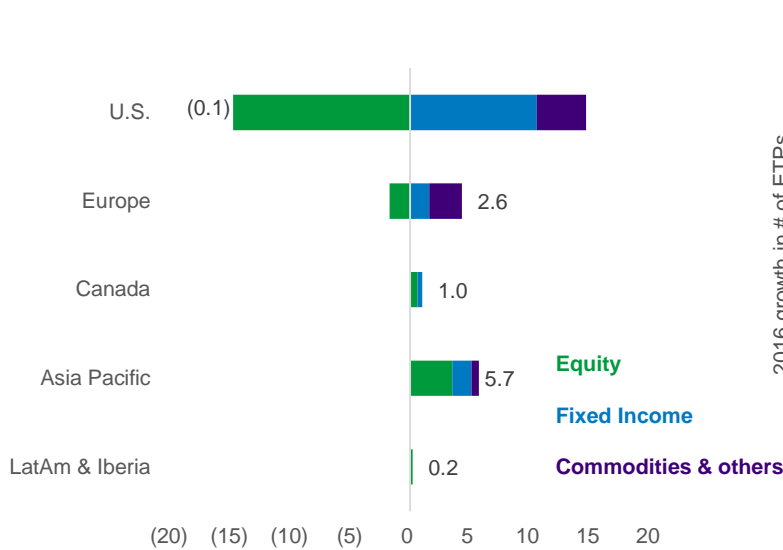


Flows By Listing Region

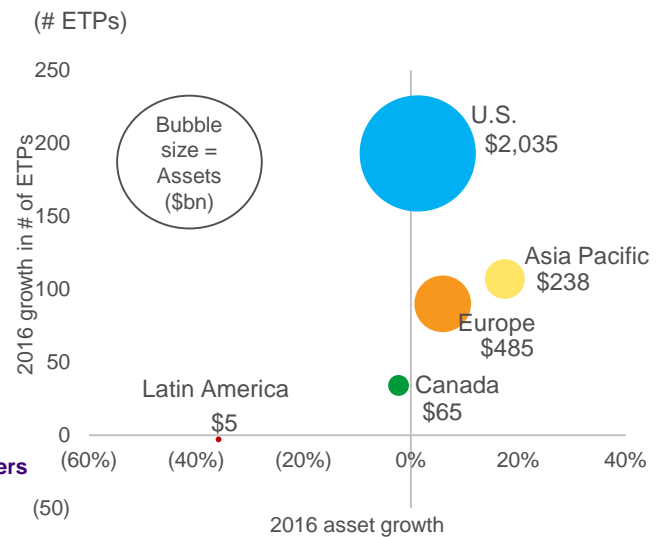
Highlights (US\$):¹

- ▶ U.S.-listed fund flows were roughly flat with inflows to fixed income and commodities offset by equities
- ▶ Europe-listed ETPs brought in \$2.6bn also driven by fixed income and commodities while moderated by equities
- ▶ Canada-listed ETPs drew in \$1.0bn fueled by equities and fixed income and extending the two-year streak of inflows to the region
- ▶ Asia Pacific-listed ETP flows surged to \$5.7bn powered by strong gains in South Korea and Chinese equity funds

MONTH-TO-DATE FLOWS BY LISTING REGION¹



ASSET GROWTH RATES AND # OF ETPs¹



LISTING REGION VIEW¹

(US\$bn)	February Flows	YTD 2016 Flows	Share of Flows	Current Assets	Share of Assets
US	(0.1)	(0.2)	(0.8%)	2,034.9	71.8%
Europe	2.6	5.9	24.4%	485.3	17.1%
Canada	1.0	1.2	4.8%	65.2	2.3%
Asia Pacific	5.7	16.9	69.3%	238.2	8.4%
Latin America & Iberia	0.2	0.5	2.2%	5.5	0.2%
Middle East & Africa	Not available	Not available	N/A	5.3	0.2%
Global ETP Total	9.4	24.3	100.0%	2,834.5	100.0%

ETP Flows by Exposure

(US\$bn)		February Flows	2016 YTD Flows	Current Assets
Equity	US	(8.8)	(19.7)	1,237.5
	Broad Developed Markets	0.1	1.3	273.8
	Europe	(4.2)	(1.8)	234.7
	Asia-Pacific	(0.7)	4.5	215.4
	Canada	0.8	(0.0)	25.3
	Developed Equity	(12.8)	(15.7)	1,986.8
	Single Country	0.9	3.6	100.8
	Broad	(0.4)	(3.1)	82.7
	Regional	0.0	(0.2)	4.4
	Emerging Markets Equity	0.6	0.3	187.9
	Equity Total	(12.2)	(15.4)	2,174.7
	Fixed Income	Investment Grade Corp	2.5	2.7
HY Corp		1.6	1.6	48.2
Broad		1.4	3.7	85.8
U.S. Treasury		4.7	13.6	68.5
Sovereign		0.6	2.0	51.1
Municipal		0.6	1.4	21.2
Other Fixed Income		2.8	3.4	136.3
Fixed Income Total		14.2	28.3	534.8
Commodities	Gold	7.2	9.2	66.8
	Crude Oil	1.2	4.1	13.0
	Silver	0.0	(0.1)	7.8
	Agriculture	(0.0)	(0.1)	2.7
	Energy	0.1	0.1	1.5
	Other Precious Metals	0.0	(0.0)	2.8
	Other Commodities	(0.1)	(0.0)	11.7
	Commodities Total	8.3	13.0	106.3
Other	Other Total	(0.9)	(1.6)	18.7
Grand Total		9.4	24.3	2,834.5

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, and Wind. 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, assets and 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. Product level information is aggregated by provider, asset class, exposure, and listing region to produce the various analyses in the report.

1. Data is as of February 29, 2016 for all regions. Global ETP flows and assets are sourced from Markit as well as BlackRock internal sources. Flows for the years between 2010 and 2015 are sourced from Bloomberg as well as BlackRock internal sources. Flows 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.
2. Bloomberg L.P. (2016) Historical price table for spot gold (XAU BGN Curncy) 12/31/15 to 2/29/16. Retrieved March 1, 2016 from Bloomberg database
3. Bloomberg L.P. (2016) Historical price table for VIX Index 1/2/15 to 1/29/16. Retrieved March 1, 2016 from Bloomberg database.
4. MSCI End of Day Index Search. February 29, 2016. Accessed March 1, 2016. <https://www.msci.com/end-of-day-data-search>.

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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