

BLACKROCK GLOBAL ETP LANDSCAPE

JULY 2016

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The opinions expressed are as of July 31st 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

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GLOBAL ETP FLOWS SURGE IN JULY AS INFLOWS RESUME TO HIGHER YIELDING CATEGORIES

- ▶ Global ETPs had the best monthly flows of the year with \$55.2bn fueled by U.S. and emerging markets equities and higher-yielding fixed income categories
- ▶ U.S. equity inflows reached \$32.0bn, the highest since December 2014, with continued strength in dividend-weighted and minimum volatility strategies with \$4.8bn and \$1.4bn, respectively
- ▶ Fixed income flows accelerated to \$13.9bn driven by investment grade and high yield corporate bonds with \$7.0bn combined as investors showed preference for high-yielding categories
- ▶ Broad EM equity and EM debt funds both set new monthly flow records with \$8.2bn and \$3.9bn, respectively, as investors favored categories less impacted by Brexit

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Global ETP Highlights

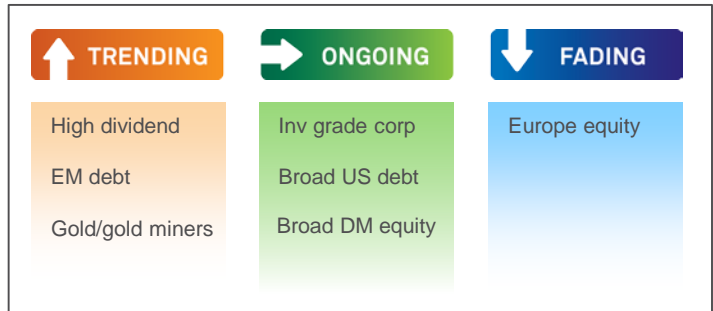
Global ETP flows surged to \$55.2bn, the best month since December 2014, as investors sought yield and asset categories less affected by Brexit. Flows grew quickly in the first two weeks of the month, favoring U.S. and emerging markets (EM) equities as well as EM and corporate debt.

Total equity flows climbed to \$34.1bn, the best month for the asset class this year, due in large measure to U.S. equity flows which rebounded sharply to \$32.0bn in July led by **U.S. large cap** inflows of \$21.0bn. **High dividend** funds remained in-demand with record monthly flows of \$4.8bn. Risk mitigation also continues to be a theme and **minimum volatility** fund flows maintained momentum with \$1.4bn. Assets across all minimum volatility funds – U.S. as well as non-U.S. equity exposures – reached a new milestone by growing above \$50bn. U.S. equity indexes reached new highs despite sluggish Q2 earnings amid a flight to quality post-Brexit and strong payrolls data.

Broad EM equity funds marked a new monthly flow record with \$8.2bn. Despite volatile monthly flows, the category is on record pace with \$16.7bn year-to-date. **China equity** funds shed (\$1.5bn), concentrated in the first week of the month.

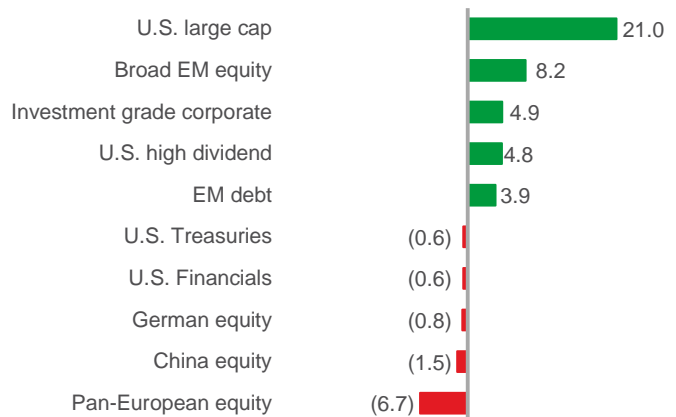
EM debt funds also set a new monthly flow record with \$3.9bn as investors sought yield in countries less affected by Brexit. Year-to-date flows to the category are \$10.7bn already surpassing the full-year flow record for EM debt funds set in 2012 of \$8.3bn, bolstered by a number of tailwinds (see 'Spotlight on Emerging Markets Debt ETPs' below).

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

July 2016 flows: \$55.2bn



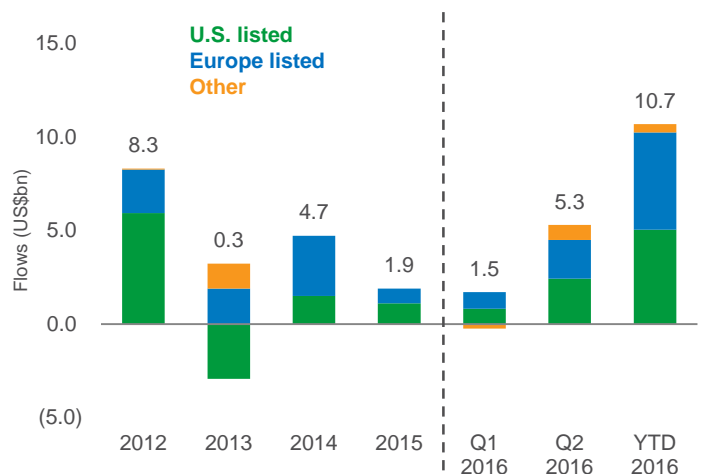
SPOTLIGHT ON EMERGING MARKETS DEBT ETPs

Emerging markets (EM) debt ETPs have seen record inflows, accelerating as the year has progressed. The category is poised to benefit from the ongoing investor search for yield, as three key headwinds to EMs have turned into tailwinds:

- 1) Concerns over U.S. dollar strengthening have abated as the likelihood of rate hikes have diminished following the Brexit vote amid uncertainty around global growth and the upcoming U.S. election
- 2) Commodity prices had been falling sharply but prices have recovered from January lows and are expected to remain in a stable range for the rest of the year
- 3) Prospects for some EM economies have improved amid both healthier growth and balance sheets; China appears to be stabilizing and the threat of significant yuan devaluation has subsided

EM DEBT FLOWS ON RECORD PACE

2012 – YTD 2016 Flows



Global ETP Highlights (cont'd)

Within other equities, **broad developed markets equity** funds drew in \$2.8bn and have collected \$22.0bn year-to-date despite there being outflows from European and non-Asia Pacific listed Japanese equity funds.

European equities saw consistent outflows throughout the month. **Pan-European equities** shed (\$6.7bn), deepening considerably from prior months and, marking a sixth consecutive month of withdrawals. Additionally, **German equities** reversed course with (\$0.8bn) and **U.K. equities** shed (\$0.2bn).

Meanwhile, fixed income flows rebounded to \$13.9bn overall and remain poised for a record year. Inflows were focused in higher-yielding categories: **Investment grade** and **high yield** corporate bond funds brought in \$4.9bn and \$2.2bn, respectively, and **broad U.S. debt** funds added \$2.4bn while **Treasury** funds shed (\$0.6bn), chiefly from short duration.

Gold funds drew in \$3.2bn as investors continued to seek a counterweight to negative rates and heightened volatility. Year-to-date flows climbed to \$25.1bn, higher than 2009's record full-year flows of \$17.0bn.

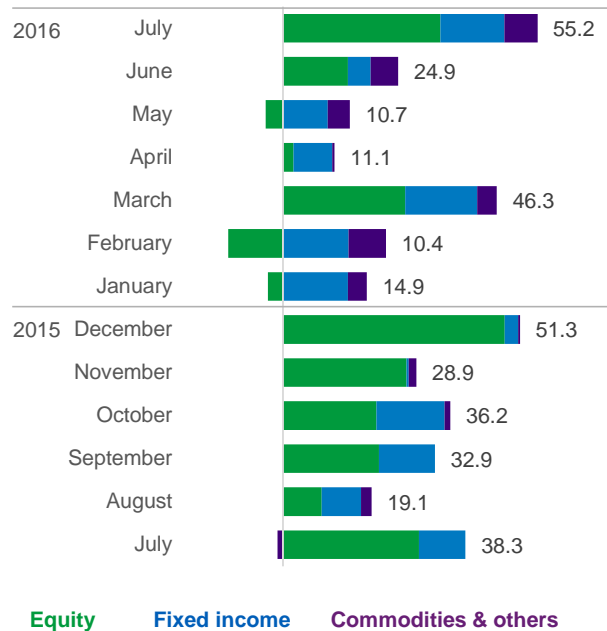
Gold miners saw a third consecutive month of elevated flows at \$0.5bn despite tapering from the peak in May. Year-to-date inflows rose to \$2.1bn, ahead of 2013's record pace when full-year flows were \$4.3bn.

Outside of gold, **broad market** commodity funds added \$1.3bn, nearly doubling the year-to-date total and just shy of the monthly record from 2011. Additionally, **volatility-linked** alternative funds resumed inflows with \$1.0bn.

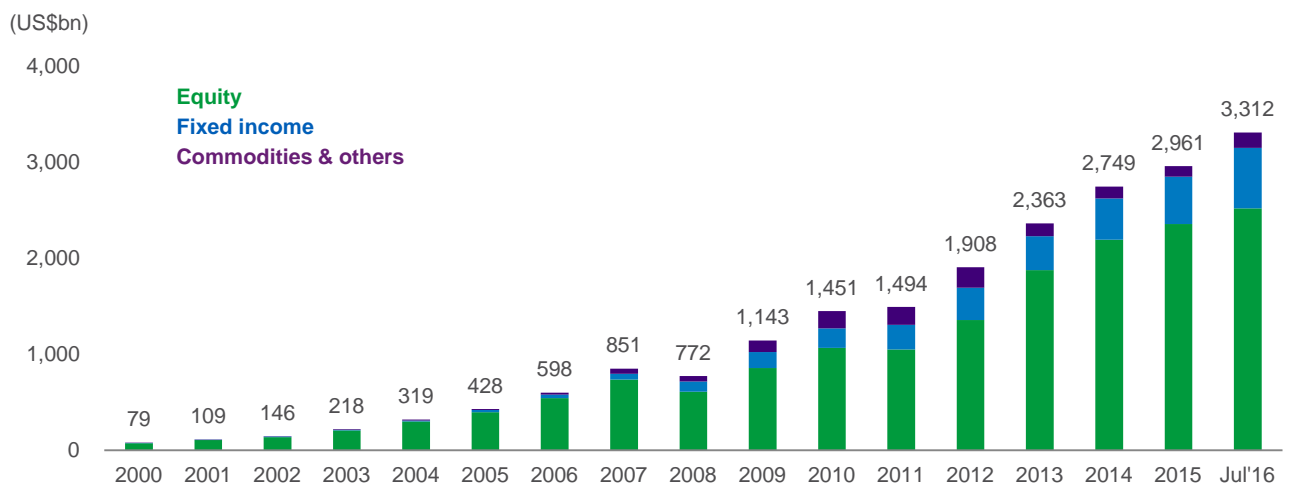
RESULTS AT A GLANCE¹

(US\$bn)	July 2016	December 2015	July 2015
Monthly flows	55.2	51.3	38.3
Year-to-date flows	173.5	350.9	182.5
Assets	3,312	2,961	2,970
# of ETPs	6,084	5,865	5,664

GLOBAL 13-MONTH ROLLING FLOWS¹



GLOBAL ETP ASSETS¹



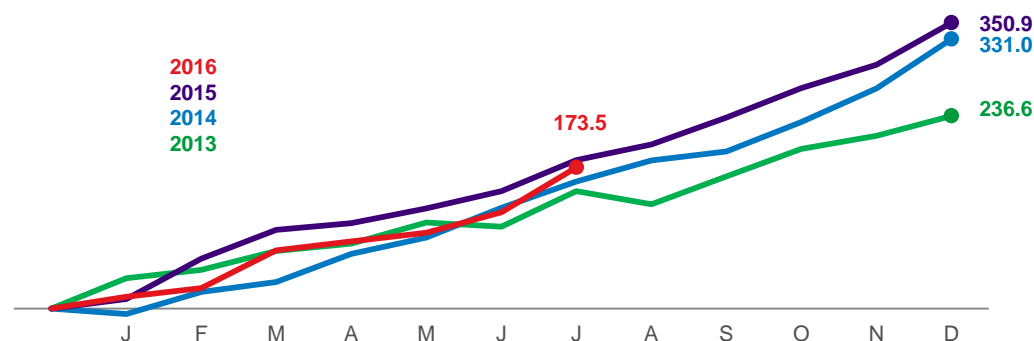
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

(US\$bn)		YTD 2016	YTD 2015	Annual 2015
Equity	Developed Markets Equity	40.9	142.3	273.4
	Emerging Markets Equity	17.0	(19.1)	(26.2)
	Total	57.9	123.2	247.2
Fixed Income	Government	5.6	9.4	16.9
	Investment Grade Corporate	24.3	15.3	24.7
	High Yield Corporate	6.1	6.0	8.3
	Others	44.6	22.1	41.8
	Total	80.6	52.8	91.7
Commodities & others	Total	35.0	6.5	12.0
Grand Total		173.5	182.5	350.9

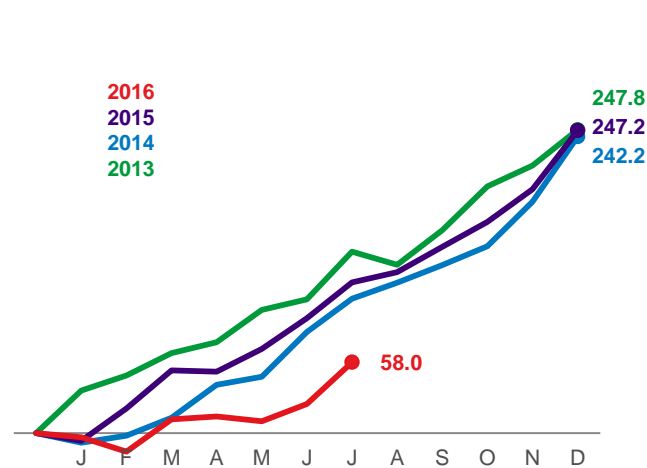
CUMULATIVE ETP FLOWS¹

Year-to-date flows: \$173.5bn



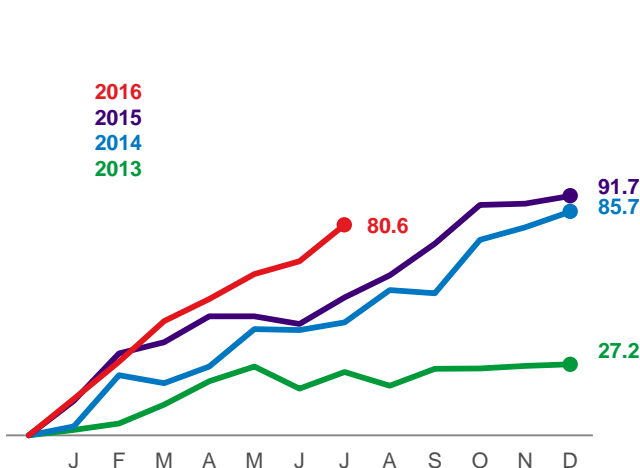
CUMULATIVE EQUITY ETP FLOWS¹

Year-to-date flows: \$58.0bn



CUMULATIVE FIXED INCOME ETP FLOWS¹

Year-to-date flows: \$80.6bn



ETP Flows By Listing Region

Month-to-date Highlights (US\$bn):¹

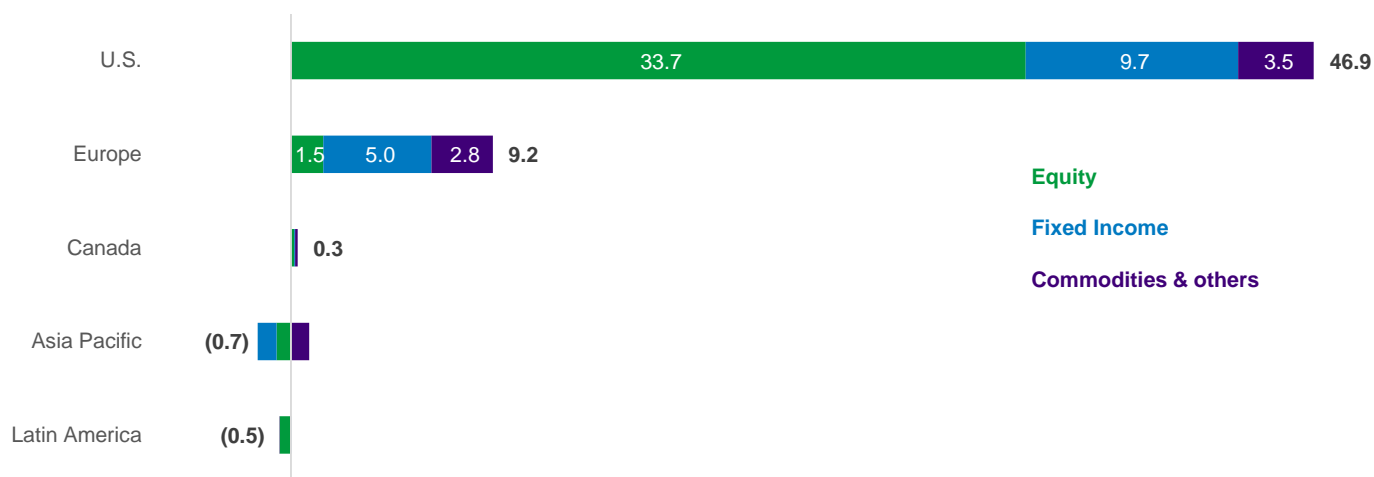
- ▶ U.S.-listed flows of \$46.9bn were focused in U.S. equities, bolstered by EM equity as well as fixed income and gold
- ▶ Europe-listed funds generated \$9.2bn driven by EM debt, corporate fixed income and gold
- ▶ Canada-listed flows of \$0.3bn extended their inflow streak to 30 months, favoring U.S. equity exposures
- ▶ Asia Pacific-listed funds shed (\$0.7bn) as Japan equity inflows were offset by China equity outflows
- ▶ Latin America-listed funds shed (\$0.5bn) driven by outflows from Mexico equity

ASSETS BY LISTING REGION¹

(US\$bn)	Equity	Fixed Income	Cmdty & others	Total
U.S.	1,862	412	98	2,372
Europe	351	151	52	555
Canada	54	25	2	81
Asia Pacific	245	41	8	294
Latin America	5	0	0	5
Middle East & Africa	4	0	2	6
Total	2,520	630	161	3,312

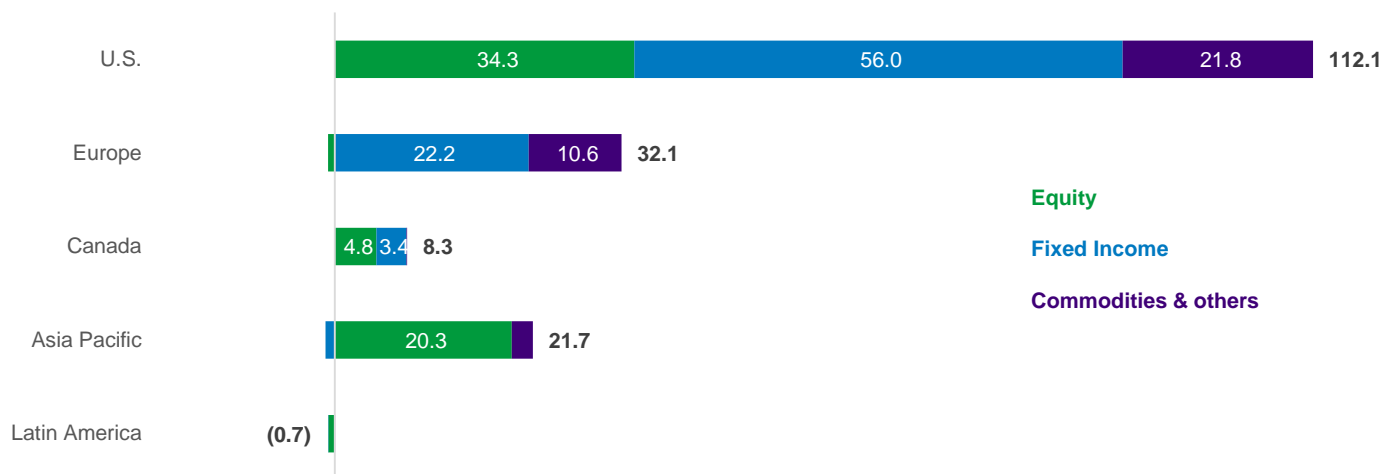
MONTH-TO-DATE FLOWS BY LISTING REGION¹

Month-to-date flows \$55.2bn



YEAR-TO-DATE FLOWS BY LISTING REGION¹

Year-to-date flows: \$173.5bn



ETP Flows by Exposure

(US\$bn)		MTD Flows	2016 YTD Flows	Current Assets
Equity	US	32.0	43.8	1,467
	Broad Developed Markets	2.8	22.0	326
	Asia-Pacific	1.7	3.4	240
	Europe	(8.8)	(30.7)	216
	Canada	(0.0)	2.5	32
	Developed Equity	27.7	40.9	2,282
	Single Country	(2.1)	(0.5)	113
	Broad	8.2	16.7	119
	Regional	0.3	0.7	6
	Emerging Markets Equity	6.3	17.0	238
	Equity Total	34.0	57.9	2,520
	Fixed Income	Investment Grade Corp	4.9	24.3
High Yield Corp		2.2	6.1	57
Broad		2.8	17.7	103
U.S. Treasury		(0.6)	5.9	62
Sovereign		0.5	(0.3)	51
Municipal		0.9	4.8	25
Emerging Markets Debt		3.9	10.7	34
Other Fixed Income		(0.7)	11.4	147
Fixed Income Total		13.9	80.6	630
Commodities	Gold	3.2	25.1	90
	Crude oil	0.9	2.0	15
	Silver	0.3	1.0	12
	Agriculture	0.1	0.2	3
	Other Precious Metals	0.1	0.3	4
	Other Commodities	1.5	3.2	15
	Commodities Total	5.9	31.7	139
Other	Other Total	1.3	3.3	23
Grand Total		55.2	173.5	3,312

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 July 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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