

BLACKROCK GLOBAL ETP LANDSCAPE

SEPTEMBER 2016

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The opinions expressed are as of September 30th 2016
and may change as subsequent conditions vary.

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

SEPTEMBER GLOBAL ETP FLOWS ADVANCE ON STRENGTH IN U.S. AND JAPANESE EQUITIES

- ▶ Global ETPs gathered \$30.5bn in September, continuing on record year-to-date pace, propelled by U.S. and Japanese equities and bolstered by emerging markets (EM) equities and debt and steady flows to corporate bonds
- ▶ U.S. equities collected \$9.7bn as the Fed opted to hold rates steady and amid improving economic data in the U.S.
- ▶ Japanese equities surged to \$9.3bn, entirely due to local providers, spurred by Bank of Japan pledges of additional stimulus measures to combat weak growth
- ▶ Broad EM equities and EM debt funds maintained momentum with inflows of \$2.7bn and \$1.8bn, respectively, and both categories remained on record year-to-date pace amid prospects for a slower pace of rate hikes in the U.S.
- ▶ Fixed income collected \$9.5bn and continued on record year-to-date pace driven by investment grade corporate bonds with \$3.4bn

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Global ETP Highlights

Global ETPs gathered \$30.5bn in September fueled by U.S. and Japanese equities, bolstered by emerging markets (EM) equities and debt as well as gains in investment grade corporate bond funds. Central bank announcements weighed on activity with over half of inflows coming following eagerly anticipated announcements from the Fed and Bank of Japan (BoJ) on September 21st. Year-to-date flows climbed to \$243.8bn, ahead of 2015's record-setting pace.

U.S. equities generated \$9.7bn amid improving economic data and as the Fed opted to hold rates steady. Flows to **high dividend** strategies persisted with \$1.3bn and **preferred stock** funds added \$0.4bn bringing year-to-date flows to \$5.6bn, ahead of last year's record pace.

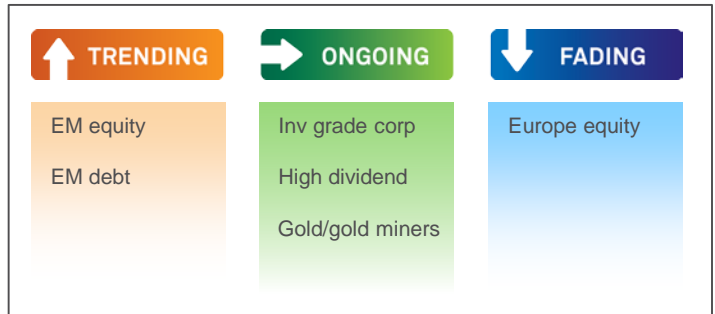
Japanese equities brought in \$9.3bn, entirely due to local providers, as the BoJ pledged additional extraordinary stimulus measures to help combat weak economic growth.

Broad EM equity funds maintained momentum collecting \$2.7bn, marking a fourth consecutive month of inflows, propelled by several catalysts (see below). The category remains on record pace with \$25.7bn year-to-date.

Fixed income funds added \$9.5bn overall in September, focused in higher-yielding categories. **EM debt** funds saw inflows of \$1.8bn driving year-to-date flows to \$14.5bn surpassing the 2012 full-year flow record of \$8.3bn.

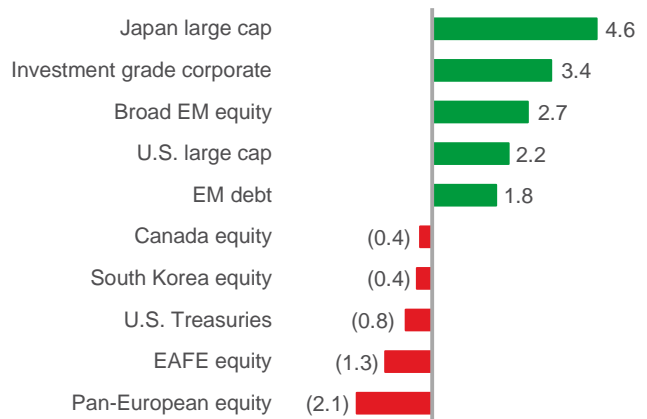
Investment grade corporate bond funds drew in \$3.4bn and year-to-date flows of \$32.6bn are also already above last year's record total inflows.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

September 2016 flows: \$30.5bn

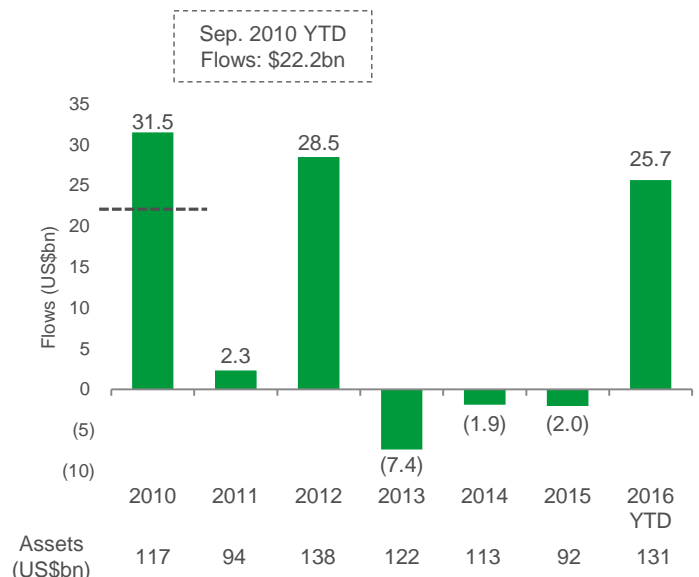


SPOTLIGHT ON BROAD EM EQUITY ETPs

Broad emerging markets equity fund flows have accelerated ahead of 2010's record pace and the MSCI Emerging Markets Index is now up 13.8% year-to-date², driven by several catalysts:

- 1) The gradual path of rate increases in U.S. has supported EM currency stability, providing relief for many EM countries that have been hurt by a rising dollar
- 2) Slow rate increases also has aided price stability for oil and other commodities, representing a tailwind for commodity exporting countries
- 3) Valuations in EM assets are still reasonable relative to those in developed markets
- 4) Economic reform momentum in India and Association of Southeast Asian Nations (ASEAN) member countries

GLOBAL BROAD EM EQUITY ETP FLOWS



Year-to-date Overview

RESULTS AT A GLANCE¹

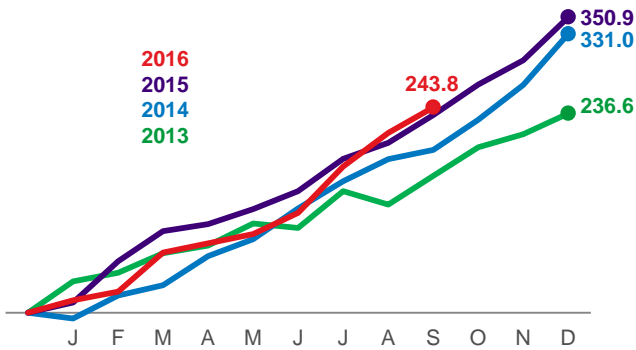
(US\$bn)	Sep 2016	Dec 2015	Sep 2015
Monthly flows	30.5	51.3	32.9
Year-to-date flows	243.8	350.9	234.5
Assets	3,389	2,961	2,766
# of ETPs	6,014	5,865	5,764

GLOBAL ETP FLOWS BY EXPOSURE¹

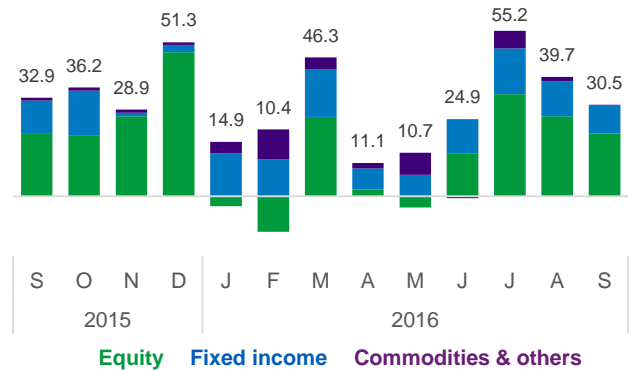
(US\$bn)		YTD 2016	YTD 2015	Annual 2015
Equity	Developed Markets Equity	81.4	181.5	273.4
	Emerging Markets Equity	24.3	(29.2)	(26.2)
	Total	105.7	152.4	247.2
Fixed Income	Government	3.4	22.6	16.7
	Investment Grade Corp	32.6	17.2	24.7
	High Yield Corp	7.5	3.8	8.3
	Others	61.1	24.7	37.1
	Total	104.5	68.3	86.8
Commodities & Others	Total	33.6	13.9	16.9
Grand Total		243.8	234.5	350.9

CUMULATIVE ETP FLOWS¹

Year-to-date flows: \$243.8bn

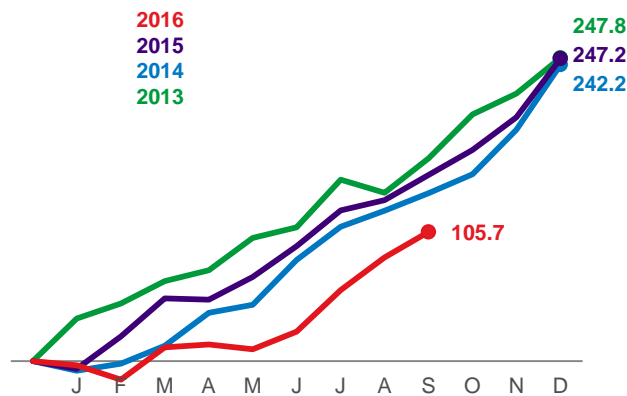


GLOBAL 13-MONTH ROLLING FLOWS¹



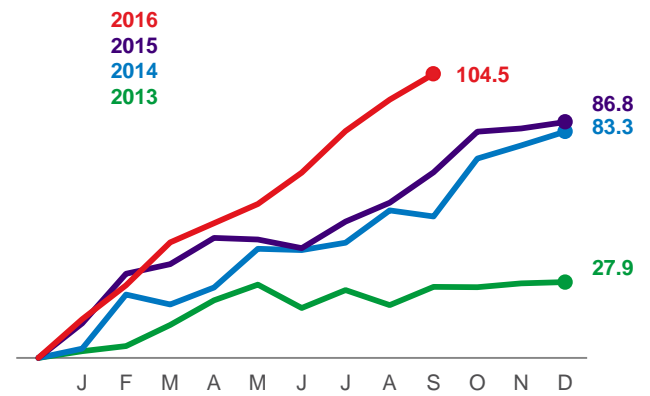
CUMULATIVE EQUITY ETP FLOWS¹

Year-to-date flows: \$105.7bn



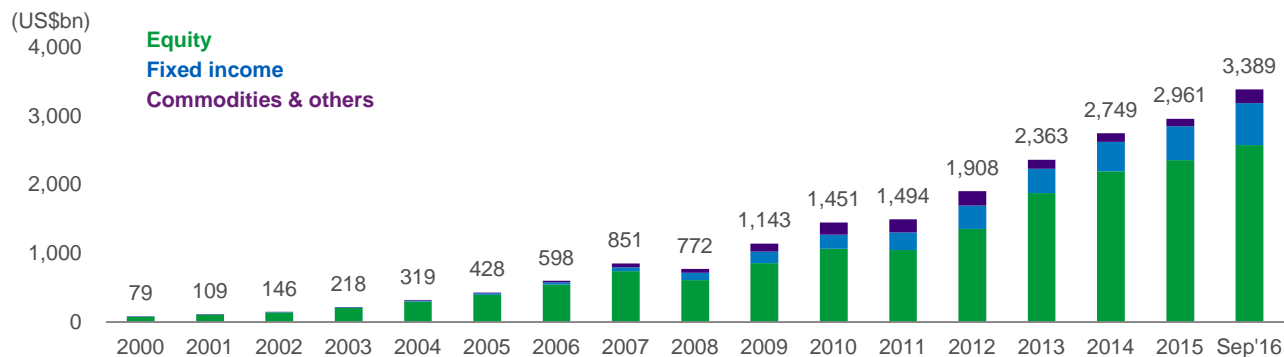
CUMULATIVE FIXED INCOME ETP FLOWS¹

Year-to-date flows: \$104.5bn



Year-to-date Overview (cont'd)

GLOBAL ETP ASSETS¹



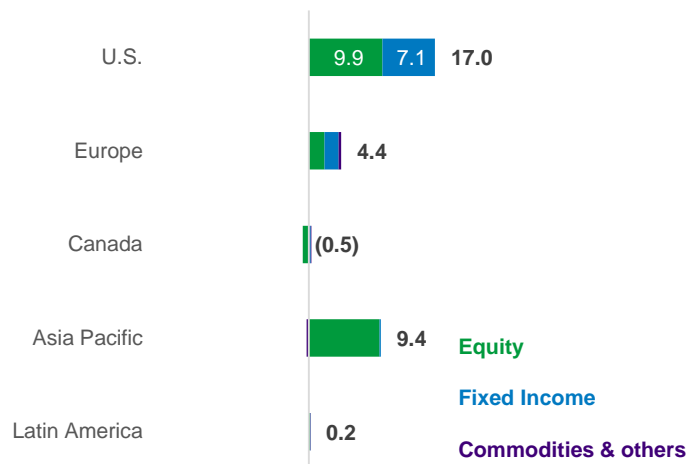
ETP Flows By Listing Region

ASSETS BY LISTING REGION¹

(US\$bn)	Equity	Fixed Income	Commodity & others	Total
U.S.	1,891	428	97	2,417
Europe	361	149	58	568
Canada	54	26	2	82
Asia Pacific	262	10	39	312
Latin America	5	0	0	5
Middle East & Africa	4	0	2	6
Total	2,577	612	199	3,389

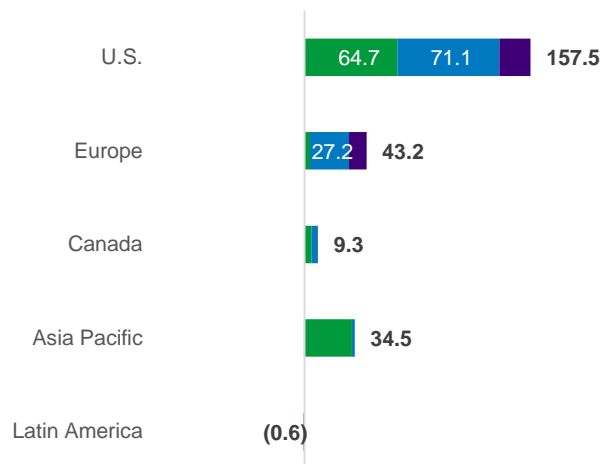
MONTH-TO-DATE FLOWS BY LISTING REGION¹

Month-to-date flows \$30.5bn



YEAR-TO-DATE FLOWS BY LISTING REGION¹

Year-to-date flows: \$243.8bn



ETP Flows by Exposure

(US\$bn)		MTD Flows	2016 YTD Flows	Current Assets
Equity	U.S.	9.7	70.1	1,488
	Broad Developed Markets	2.1	28.8	332
	Asia-Pacific	10.3	16.7	258
	Europe	(2.5)	(37.3)	214
	Canada	(0.4)	3.0	33
	Developed Equity	19.3	81.4	2,325
	Single Country	(1.3)	(2.5)	114
	Broad	2.7	25.7	131
	Regional	0.2	1.1	7
	Emerging Markets Equity	1.7	24.3	252
	Equity Total	20.9	105.7	2,577.0
	Fixed Income	Investment Grade Corp	3.4	32.6
High Yield Corp		1.2	7.5	59
Broad		0.8	20.0	105
U.S. Treasury		(0.8)	4.5	60
Sovereign		(0.6)	(1.1)	50
Municipal		0.3	5.8	26
Emerging Markets Debt		1.8	14.5	38
Other Fixed Income		3.3	20.8	117
Fixed Income Total		9.5	104.5	612
Commodities	Gold	0.8	27.0	90
	Crude oil	0.3	1.9	16
	Silver	0.1	1.3	12
	Agriculture	(0.0)	0.2	3
	Other Precious Metals	(0.0)	0.2	4
	Other Commodities	(0.5)	2.4	15
	Commodities Total	0.7	33.0	140
Other	Other Total	(0.7)	0.6	59
Grand Total		30.5	243.8	3,389

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 September 30, 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.
2. MSCI End of Day Index Search. September 30, 2016. Accessed October 3, 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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