

REFINITIV

EUROPEAN ETF MARKET REPORT: October 2018

Please attribute the content to Detlef Glow, Lipper's head of EMEA research at Refinitiv and the author of this report.

EXECUTIVE SUMMARY

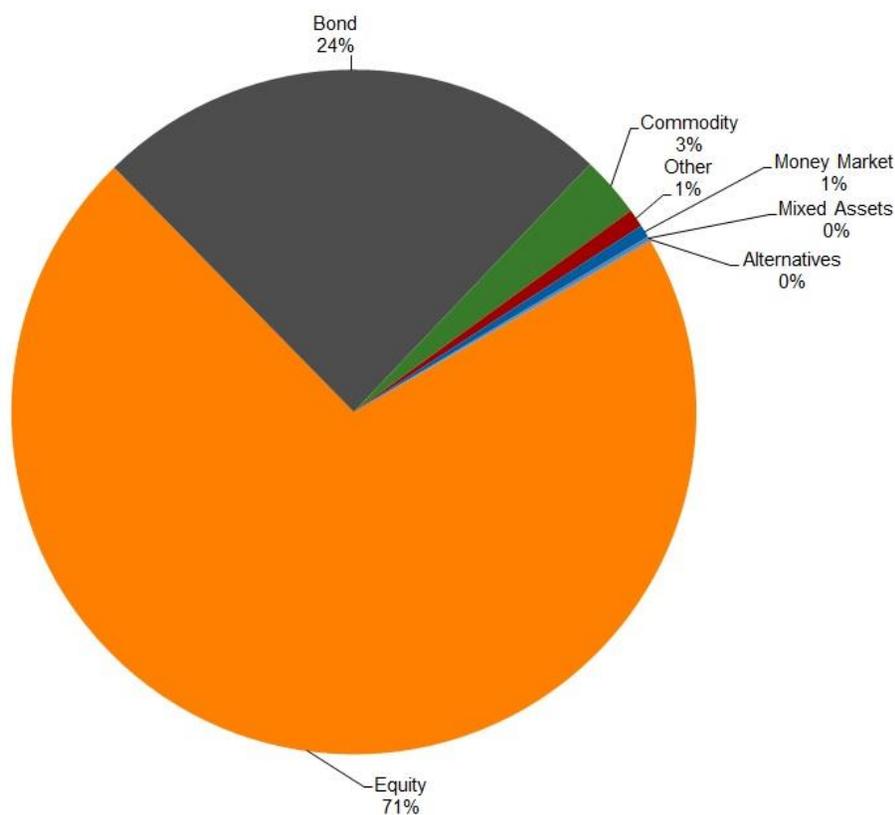
- The promoters of ETFs enjoyed net inflows of €0.7 bn for October.
- The assets under management in the European ETF industry (€657.1 bn) decreased during October, down from €679.6 bn at the end of September 2018.
- Money market ETFs (+€0.5 bn) posted for October the highest net inflows of the European ETF industry.
- The best selling Lipper global classification for October was Equity US (+€1.5 bn), followed by Bond USD (+€0.6 bn) and Equity Eurozone (+€0.6 bn).
- **iShares** was the best selling ETF promoter in Europe for October (+€0.9 bn), well ahead of **Lyxor ETF** (+€0.6 bn) and **VanEck** (+€0.4 bn).
- The ten best selling funds gathered total net inflows of €3.0 bn for October.
- The best selling ETF for October, **iShares Core MSCI World UCITS ETF USD (Acc)**, accounted for net inflows of €0.5 bn or 60.79% of the overall net inflows.

REVIEW OF THE EUROPEAN ETF MARKET, OCTOBER 2018

The promoters of ETFs in Europe enjoyed net inflows for October. Since the inflows were rather small, they couldn't offset the negative performance of the underlying markets, which led to decreased assets under management in the European ETF industry. In more detail, the assets under management in the European ETF industry decreased from €679.6 bn as of September 30, 2018, to €657.1 bn at the end of October. The decrease of €22.4 bn for October was driven by the performance of the underlying markets (-€23.2 bn), while net sales contributed inflows of €0.7 bn to assets under management in the European ETF segment.

With regard to the overall number of products, it was not surprising that equity funds (€466.5 bn) held the majority of the assets, followed by bond funds (€160.7 bn), commodity products (€18.9 bn), "other" funds (€5.6 bn), money market funds (€3.9 bn), mixed-asset funds (€1.0 bn), and alternative UCITS products (€0.5 bn).

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, October 30, 2018



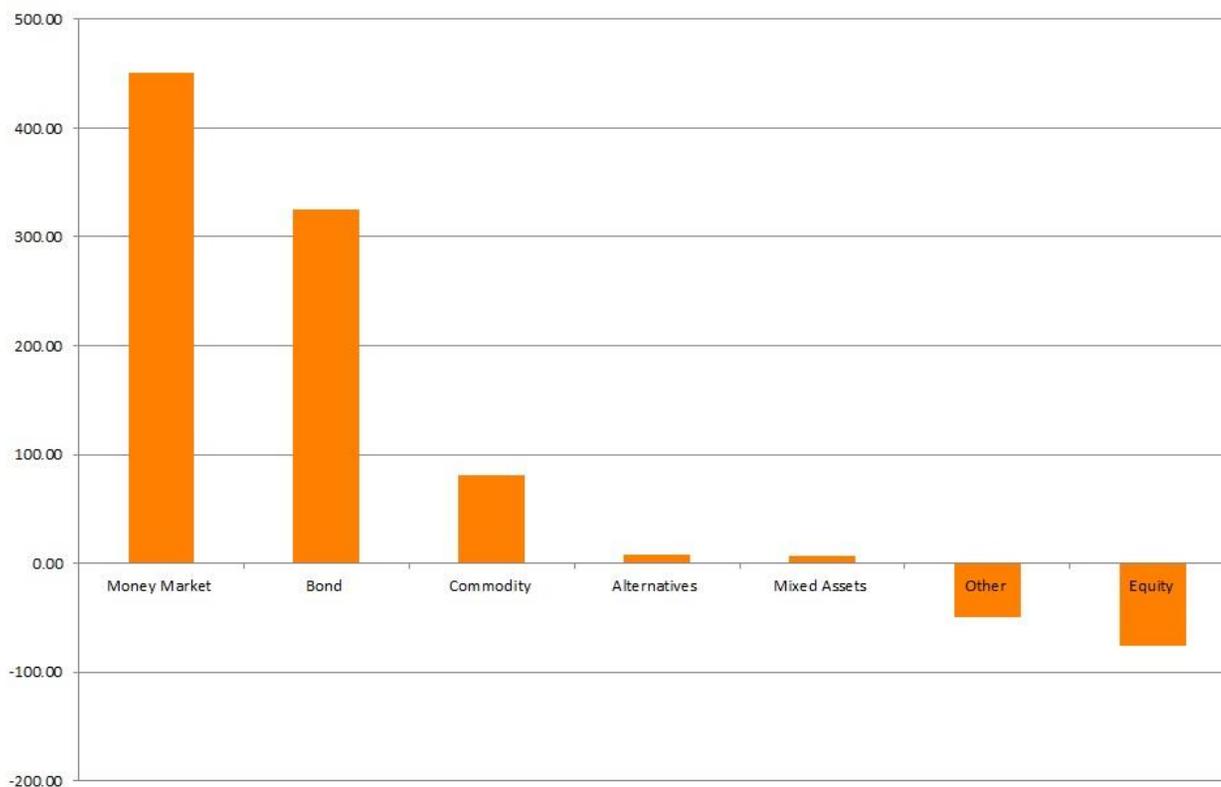
Source: Lipper

Fund Flows by Asset Type

After above-average net inflows for September, the net inflows in the European ETF industry for October (+€0.7 bn) fell below the rolling 12-month average (+€4.2 bn). The shy inflows into ETFs might have been the result of the ongoing uncertainty in the global markets, driven by the new tariffs regime in the U.S., a possible upcoming euro crisis (caused by Italy), and a possible “no deal” BREXIT. Money market ETFs were the asset type with the highest net inflows (+€0.5 bn), followed by bond ETFs (+€0.3 bn), commodity ETFs (+€0.1 bn), alternative UCITS ETFs (+€0.01 bn), and mixed-asset ETFs (+€0.01 bn). Opposite to this, equity ETFs (-€0.1 bn) faced the highest net outflows, bettered by “other” ETFs (-€0.05 bn).

This flow pattern drove the overall net flows to €36.0 bn for the year 2018 so far.

Graph 2: Estimated Net Sales, October 2018 (Euro Millions)

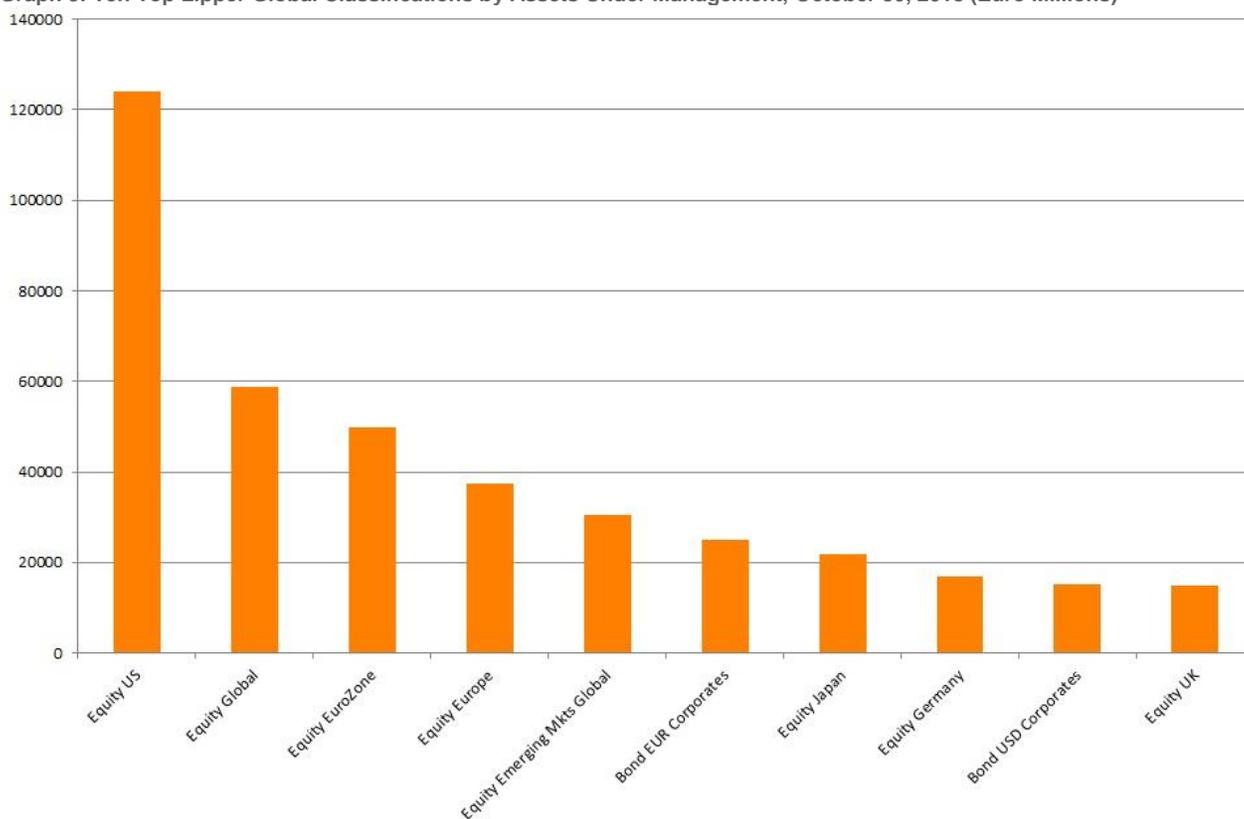


Source: Lipper

Assets Under Management by Lipper Global Classifications

With regard to the Lipper global classifications, the European ETF market was split into 160 different peer groups. The highest assets under management at the end of October were held by funds classified as Equity US (€124.0 bn), followed by Equity Global (€58.8 bn), Equity Eurozone (€49.9 bn), and Equity Europe (€37.3 bn) as well as Equity Emerging Markets Global (€30.5 bn). These five peer groups accounted for 45.71% of the overall assets under management in the European ETF segment, while the ten top classifications by assets under management accounted for 59.96%. Overall, 18 of the 158 peer groups each accounted for more than 1% of the assets under management. In total, these 18 peer groups accounted for €467.6 bn or 71.16% of the overall assets under management. In addition, it was noteworthy that the ranking of the largest peer groups was quite stable, indicating that European investors use the funds from these peer groups as core holdings and not just as so-called satellites that are bought and sold quite frequently to implement asset allocation views in the investors' portfolios. These numbers showed that the assets under management in the European ETF industry continued to be highly concentrated.

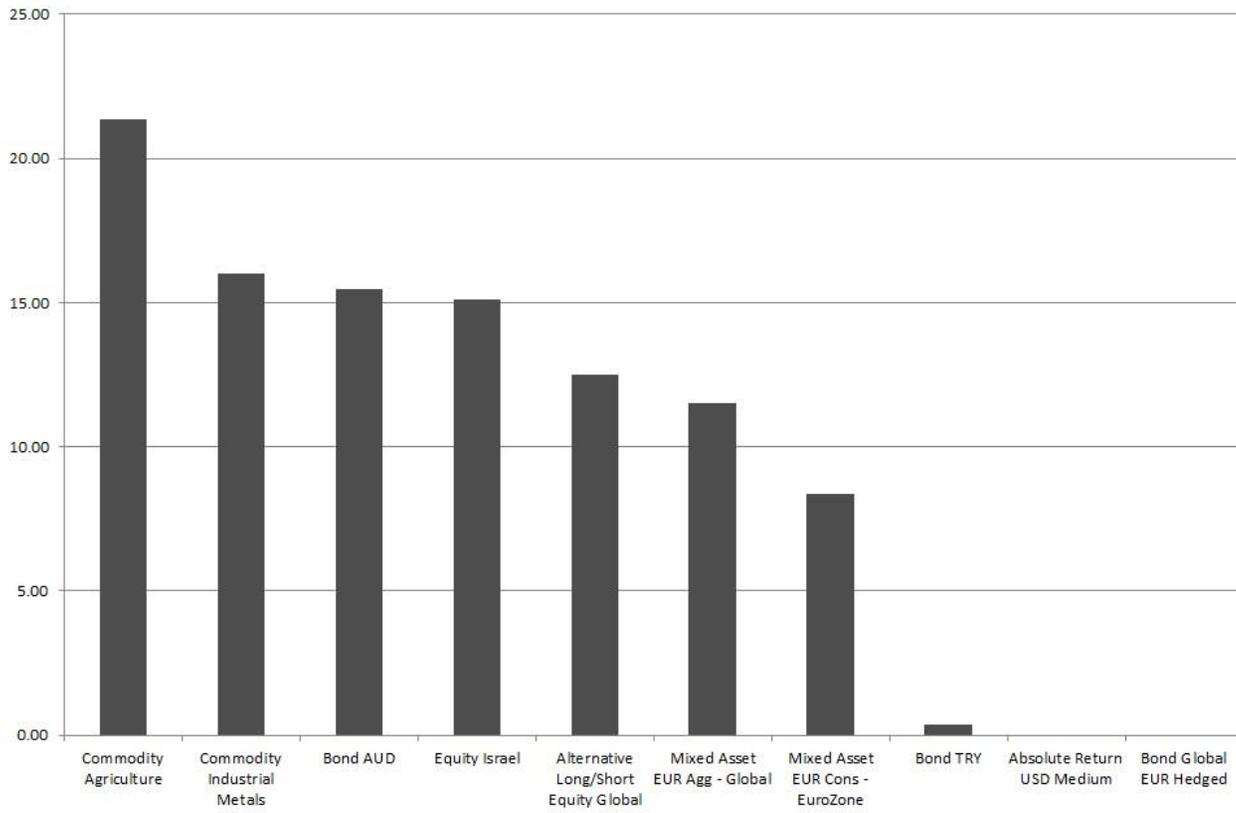
Graph 3: Ten Top Lipper Global Classifications by Assets Under Management, October 30, 2018 (Euro Millions)



Source: Lipper

The peer groups on the other side of the table showed that some funds in the European ETF market are quite low in assets and risk being closed in the near future. They are obviously lacking investor interest and might therefore not be profitable for the respective fund promoters (Please read our report: ["Is there a consolidation ahead in the European ETF industry?"](#) for more details on this topic.)

Graph 4: Ten Smallest Lipper Global Classifications by Assets Under Management, October 30, 2018 (Euro Millions)



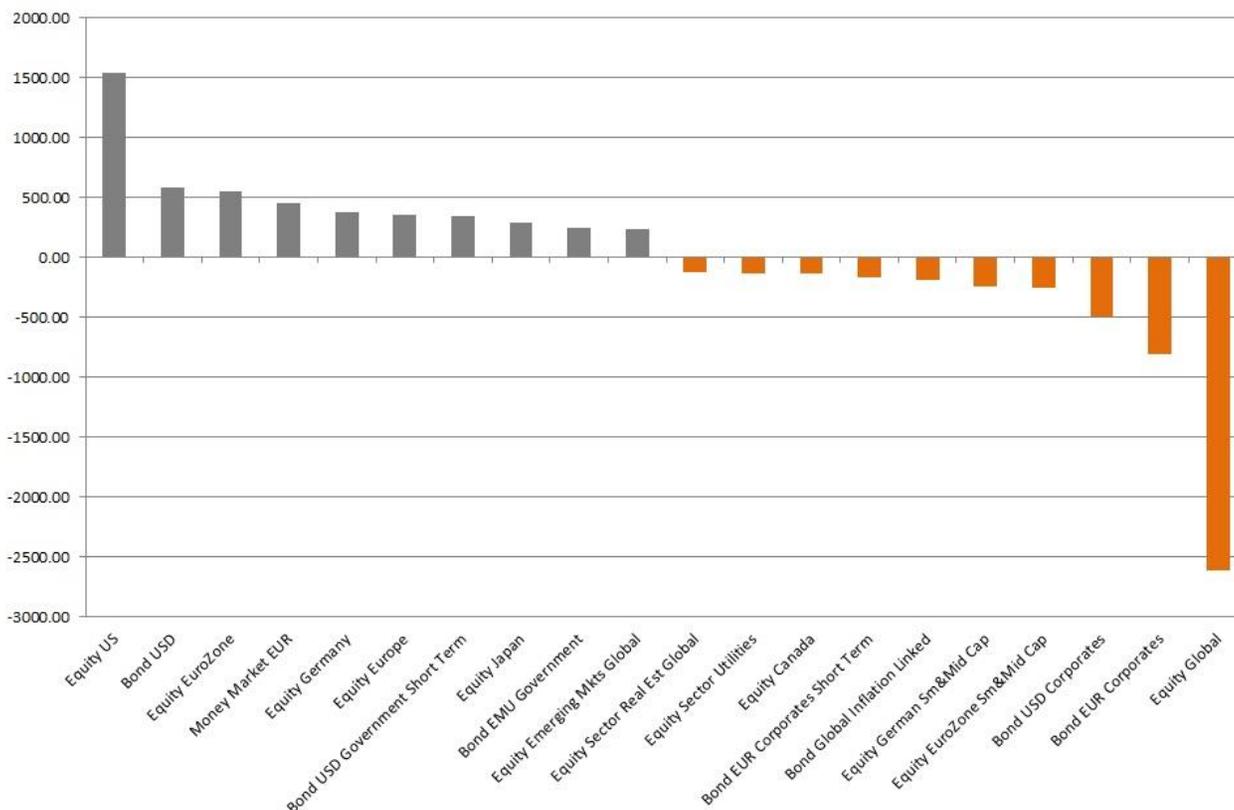
Source: Lipper

Fund Flows by Lipper Global Classifications

With regard to the overall sales for October, it was surprising that equity funds (+€3.4 bn) dominated the table of the ten best selling peer groups by net flows as well as by the peer group count. The best selling Lipper global classification for October was once again Equity US (+€1.5 bn), followed by Bond USD (+€0.6 bn) and Equity Eurozone (+€0.6 bn).

The net inflows of the ten best selling Lipper classifications equalled to 666.85% of the overall net inflows. These numbers showed that the European ETF segment is also highly concentrated with regard to fund flows by sectors. Generally speaking, one would expect the flows into ETFs to be concentrated, since investors often use ETFs to implement their market views and short-term asset allocation decisions; these products are made for and therefore are easy to use for these purposes.

Graph 5: Ten Best and Worst Selling Lipper Global Classifications by Estimated Net Sales, October 2018 (Euro Millions)



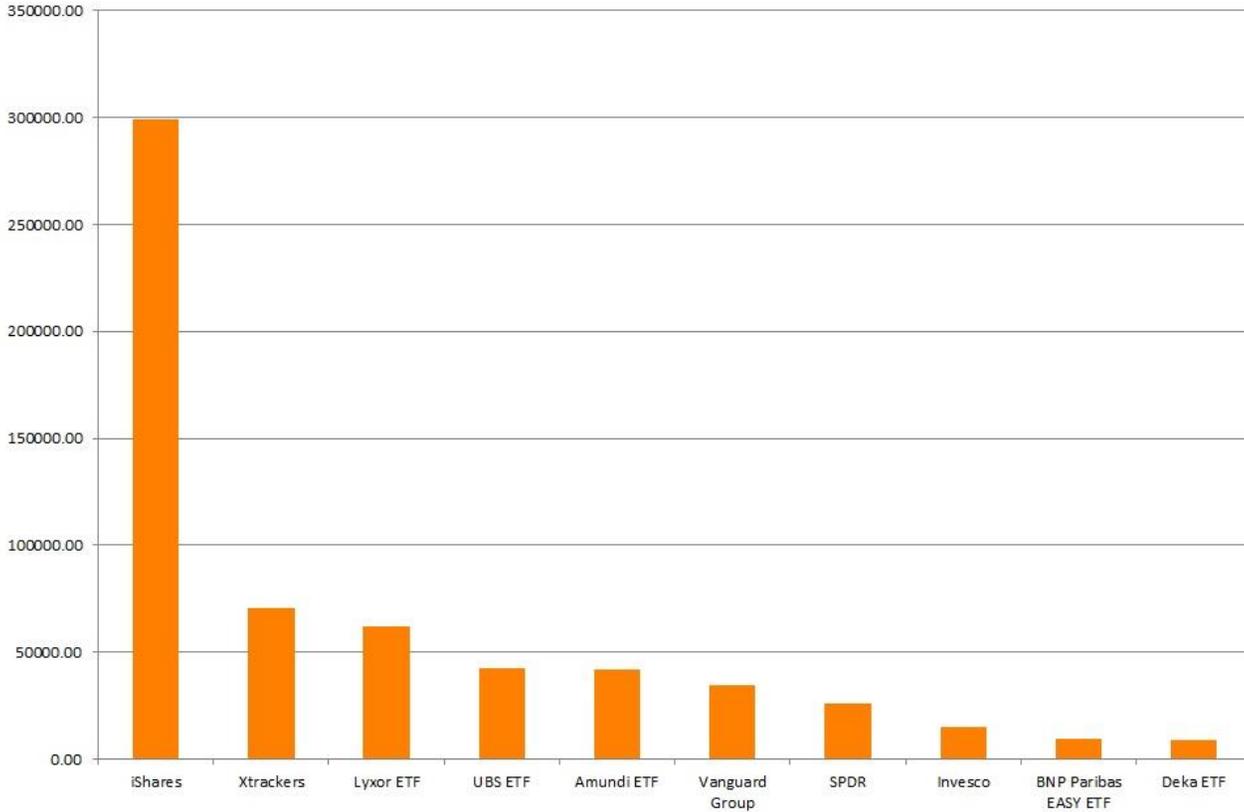
Source: Lipper

On the other side of the table the ten peer groups with the highest net outflows for October accounted for €5.1 bn of outflows. Equity Global (-€2.6 bn) faced the highest net outflows, bettered by Bond EUR Corporates (-€0.8 bn) and Bond USD Corporates (-€0.5 bn).

Assets Under Management by Promoters

A closer look at the assets under management in the European ETF industry by promoters also showed high concentration, since only 19 of the 51 ETF promoters in Europe held assets at or above €1.0 bn each. The largest ETF promoter in Europe—**iShares** (€298.9 bn)—accounted for 45.49% of the overall assets under management, far ahead of the number-two promoter—**Xtrackers** (€70.7 bn)—and the number-three promoter—**Lyxor ETF** (€61.8 bn). (To learn more about the concentration of the European ETF market at the promoter level, please read our report: [Spotlight on the concentration at the promoter level in the European ETF industry](#))

Graph 6: Ten Top ETF Promoters by Assets Under Management, October 30, 2018 (Euro Millions)



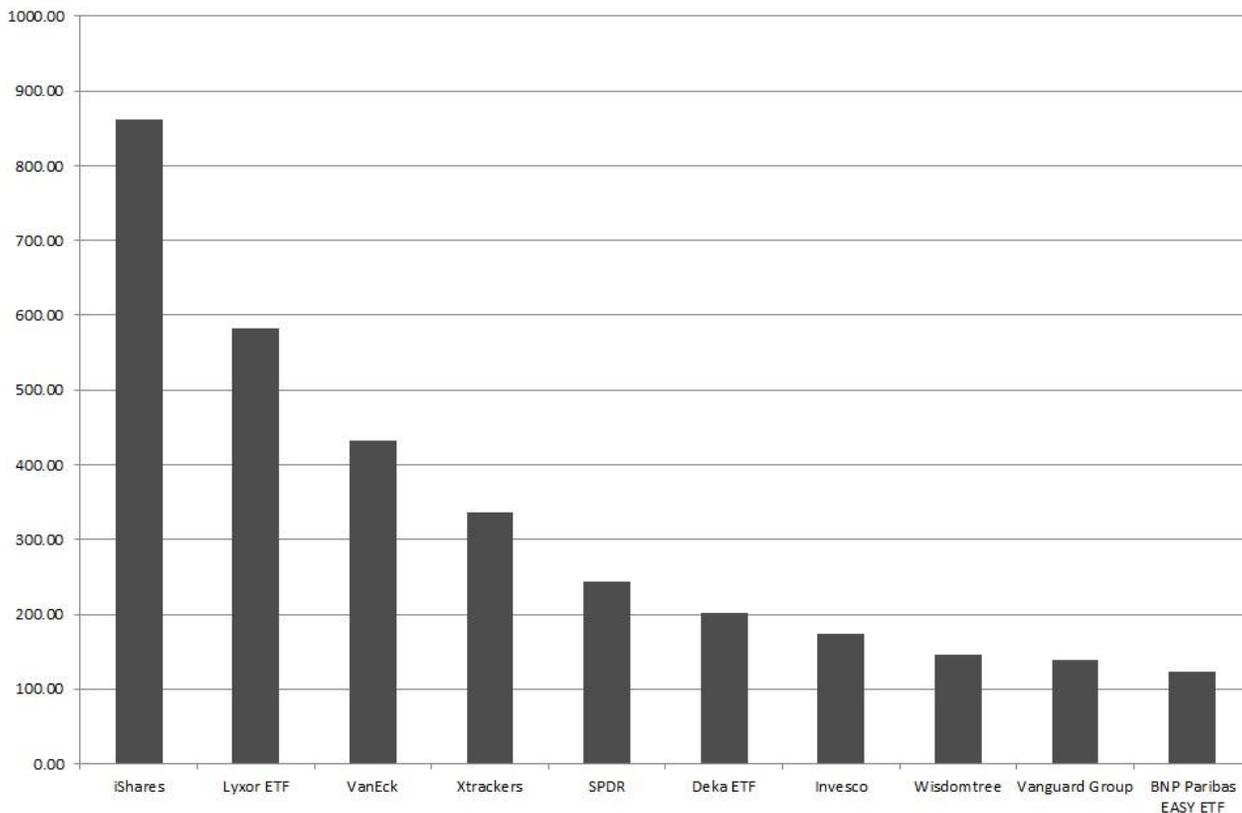
Source: Lipper

The ten top promoters accounted for 92.81% of the overall assets under management in the European ETF industry. This meant in turn that the other 41 fund promoters registering at least one ETF for sale in Europe accounted for only 7.19% of the overall assets under management.

Fund Flows by Promoters

Since the European ETF market is highly concentrated, it was not surprising that eight of the ten largest promoters by assets under management were among the ten top-selling ETF promoters for October. **iShares** was the best selling ETF promoter in Europe for October (+€0.9 bn), well ahead of **Lyxor ETF** (+€0.6 bn) and **VanEck** (+€0.4 bn).

Graph 7: Ten Best Selling ETF Promoters, October 2018 (Euro Millions)



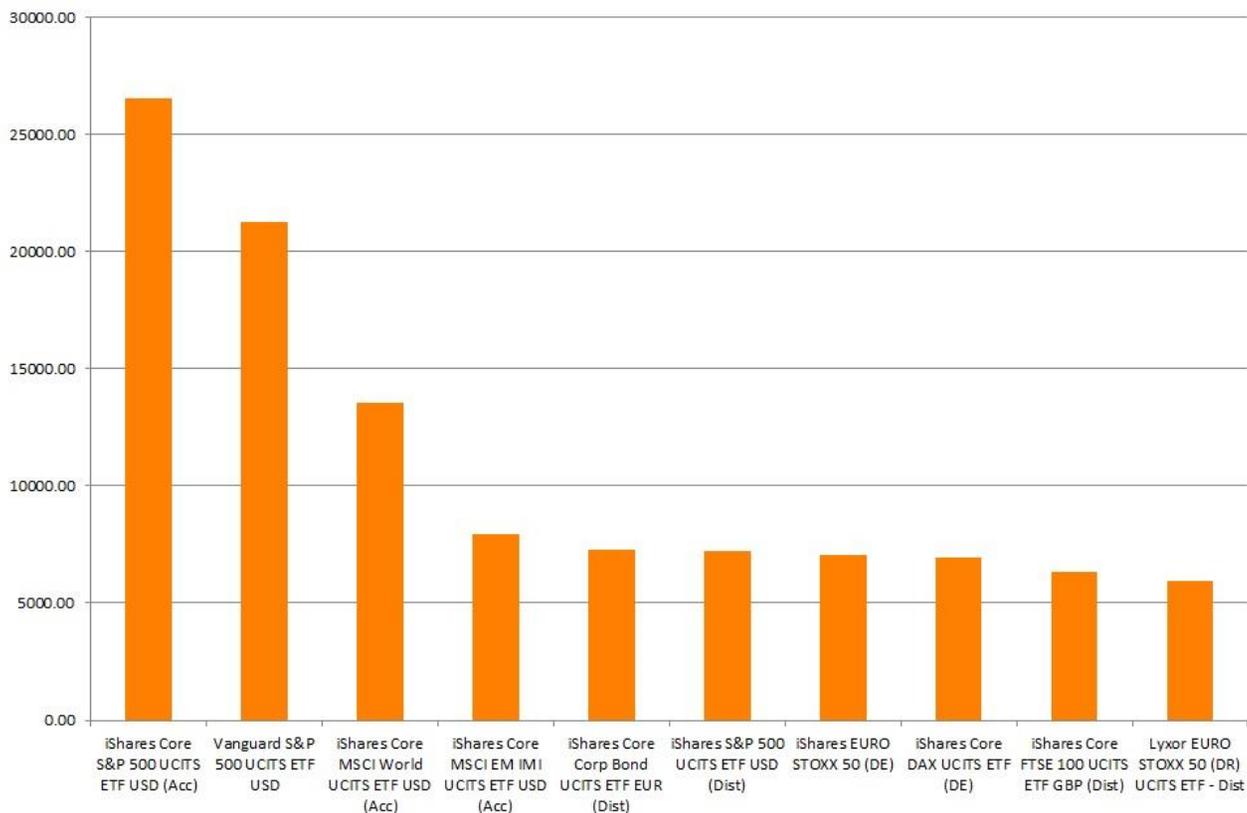
Source: Lipper

Since the flows of the ten top promoters accounted for 433.33% of the overall estimated net flows into ETFs in Europe for October, it was clear that some of the 51 promoters (6) faced net outflows (-€3.1 bn in total) over the course of October.

Assets Under Management by Funds

There were 2,666 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of October. With regard to the overall market pattern, it was not surprising that the assets under management at the ETF level were also highly concentrated. Only 143 of the 2,666 instruments held assets above €1.0 bn each. These products accounted for €386.2 bn or 58.77% of the overall assets in the European ETF industry. The ten largest ETFs in Europe accounted for €110.1 bn or 16.75% of the overall assets under management. (Please read our study: [Is the European ETF industry dominated by only a few funds?](#) to learn more about the concentration at the single-fund level in the European ETF industry.)

Graph 8: Ten Largest ETFs by Assets Under Management, October 30, 2018 (Euro Millions)

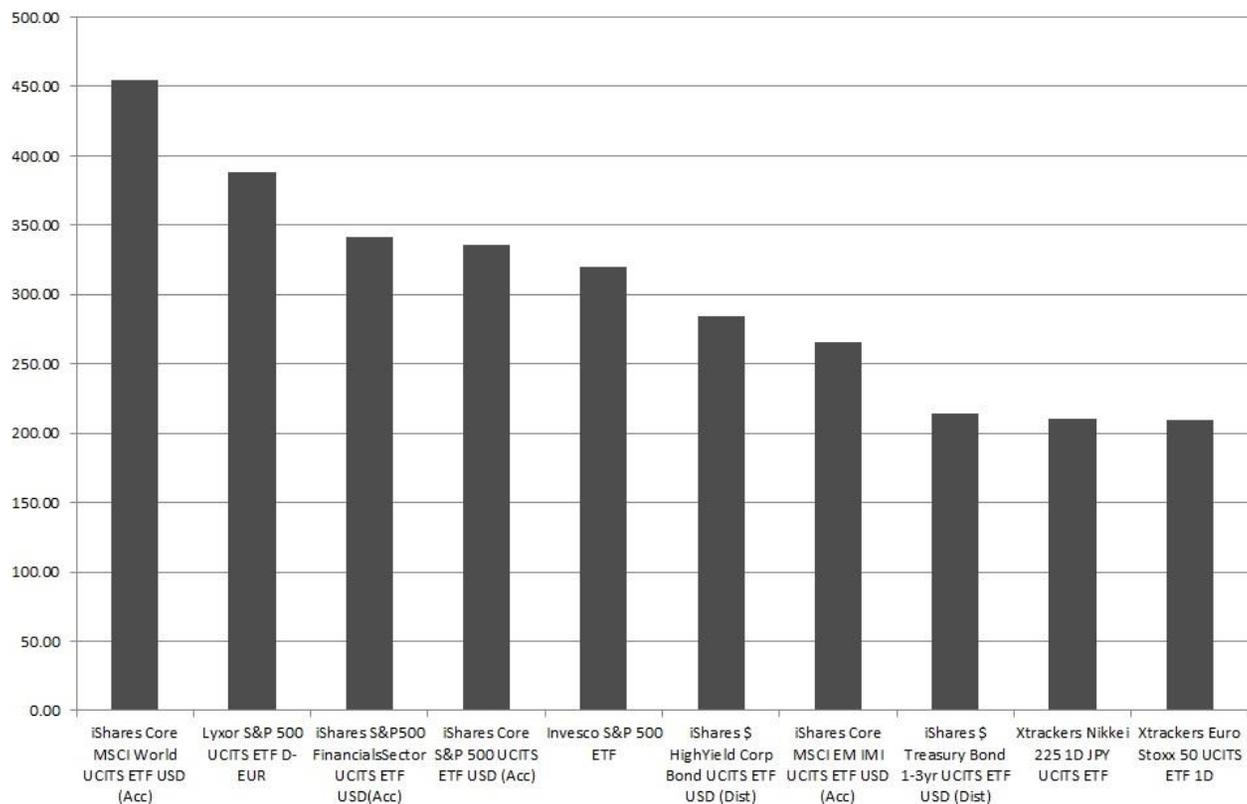


Source: Lipper

ETF Flows by Funds

A total of 799 of the 2,666 instruments analyzed in this report showed net inflows of more than €10,000 each for October, accounting for €17.1 bn or 2,286.93% of the overall net flows. This meant in turn that the other 1,867 instruments faced no flows or net outflows for the month. In more detail only 39 of the 799 ETFs posting net inflows enjoyed inflows of more than €100 m each during October, summing to €6.9 bn. The best selling ETF for October, **iShares Core MSCI World UCITS ETF USD (Acc)**, accounted for net inflows of €0.5 bn or 60.79% of the overall net inflows. It was followed by **Lyxor S&P 500 UCITS ETF D-EUR** (+€0.4 bn) and **iShares S&P500 FinancialsSector UCITS ETF USD (Acc)** (+€0.4 bn).

Graph 9: Ten Best Selling ETFs, October 2018 (Euro Millions)



Source: Lipper

The flow pattern at the fund level indicated that there was a lot of turnover and rotation during October, but it also showed the concentration of the European ETF industry even better than the statistics at the promoter or classification level. Given its size, it was not surprising that six of the ten best selling funds for October were promoted by **iShares**; these accounted for total net inflows of €1.9 bn or 253.54% of the net inflows into the European ETF segment.

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