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EUROPEAN ETF MARKET REPORT:
September 2019

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EXECUTIVE SUMMARY

- The promoters of ETFs experienced net inflows of €19.5 bn for September.

- The assets under management in the European ETF industry (€795.5 bn) increased during September, up from €757.0 bn as of August 31, 2019.

- Equity ETFs (+€12.8 bn) posted the highest net inflows in the European ETF industry for September.

- The best-selling Lipper global classification for September was Equity Global (+€5.2 bn), followed by Equity US (+€4.3 bn) and Equity Eurozone (+€1.9 bn).

- **UBS ETF** was the best-selling ETF promoter in Europe for September (+€7.7 bn), ahead of *iShares* (+€4.9 bn) and *Xtrackers* (+€3.2 bn).

- The 10 best-selling funds gathered total net inflows of €7.8 bn for September.

- The best-selling ETF for September, **UBS ETFs plc – MSCI ACWI SF UCITS ETF (h USD) Aa**, accounted for net inflows of €1.3 bn.
REVIEW OF THE EUROPEAN ETF MARKET, SEPTEMBER 2019

After outflows in August, the promoters of ETFs in Europe enjoyed above average inflows in September. These led, in combination with the positive performance of the underlying markets, to an increase in assets under management in the European ETF industry from €757.0 bn as of August 31, 2019, to €795.5 bn at the end of September. The increase of €38.5 bn for September was driven by estimated net inflows (+€19.5 bn), while the performance of the underlying markets contributed €19.1 bn to the increase in assets under management.

It was not surprising equity funds (€536.2 bn) held the majority of assets, followed by bond funds (€225.5 bn), commodity products (€21.5 bn), alternative UCITS products (€6.3 bn), money market funds (€3.8 bn), mixed-assets funds (€2.0 bn), and “other” funds (€0.1 bn).

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, September 30, 2019
**Fund Flows by Asset Type**

The European ETF industry enjoyed estimated net inflows for September (+€19.5 bn) which were way above the rolling 12-month average. They brought that average up to €5.7 bn from €4.5 bn in August 2019. As the inflows in ETFs were driven by equity funds (+€12.8 bn), these flows could be seen as a sign that European investors returned to the market after a massive selloff of equity ETFs in August. Bond ETFs were the asset type with the second highest net inflows (+€5.6 bn), followed by alternative UCITS ETFs (+€0.5 bn), commodity ETFs (+€0.4 bn), mixed-assets ETFs (+€0.1 bn) and money market ETFs (+€0.1 bn). “Other” ETFs (-€0.003 bn) was the only asset type that faced estimated outflows in the European ETF segment for September. This flow pattern drove the overall net flows to €62.3 bn for 2019.

Graph 2: Estimated Net Sales, September 2019 (Euro Millions)

Source: Lipper from Refinitiv
Assets Under Management by Lipper Global Classifications
In order to examine Lipper global classifications in further detail, the European ETF market was split into 178 different peer groups. The highest assets under management at the end of September were held by funds classified as Equity U.S. (€150.3 bn), followed by Equity Global (€80.3 bn), Equity Eurozone (€49.4 bn), Equity Europe (€41.0 bn), and Equity Emerging Markets Global (€37.5 bn). These five peer groups accounted for 45.07% of the overall assets under management in the European ETF segment, while the 10-top classifications by assets under management accounted for 58.33%. Overall, 19 of the 178 peer groups each accounted for more than 1% of assets under management. In total, these 19 peer groups accounted for €566.4 bn, or 71.21%, of the overall assets under management. In addition, it was noteworthy that the rankings of the largest peer groups were quite stable, indicating European investors use the funds from these peer groups as core holdings and not just as so-called satellite holdings that are bought and sold frequently to implement asset allocation strategies in investor portfolios. That said, the only shift within the five top peer groups was between Equity Emerging Markets Global and Equity Europe, as these two peer groups again changed their positions on the table. These numbers showed assets under management in the European ETF industry continued to be highly concentrated.

Graph 3: Ten-Top Lipper Global Classifications by Assets Under Management, September 30, 2019 (Euro Millions)

The peer groups on the other side of the table showed 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 their 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, September 30, 2019 (Euro Millions)

Source: Lipper from Refinitiv
Fund Flows by Lipper Global Classifications

With regard to the overall sales for September, it was not surprising equity funds (+€13.7 bn) dominated the table of the 10 best-selling peer groups by net flows, as well as by the peer group count. Accordingly, the best-selling Lipper global classification for September was Equity Global (+€5.2 bn), followed by Equity US (+€4.3 bn) and Equity Eurozone (+€1.9 bn).

The net inflows of the 10 best-selling Lipper classifications accounted for €17.9 bn. These numbers showed the European ETF segment is also highly concentrated with regard to fund flows by sector. 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 and, therefore, are easy to use, for these purposes.

Graph 5: Ten Best- and Worst-Selling Lipper Global Classifications by Estimated Net Sales, September 2019 (Euro Millions)

On the other side of the table, the 10 peer groups with the highest net outflows for September accounted for €3.2 bn of outflows.
Assets Under Management by Promoters
A closer look at assets under management in the European ETF industry by promoters also showed high concentration, since only 21 of the 51 ETF promoters in Europe held assets at or above €1.0 bn. The largest ETF promoter in Europe—iShares (€372.0 bn)—accounted for 46.76% of the overall assets under management, far ahead of the number-two promoter—Xtrackers (€84.1 bn)—and the number-three promoter—Lyxor ETF (€62.4 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, September 30, 2019 (Euro Millions)

The 10-top promoters accounted for 93.02% of the overall assets under management in the European ETF industry. This meant, in turn, the other 41 fund promoters registering at least one ETF for sale in Europe accounted for only 6.98% 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 10 largest promoters by assets under management were among the 10-top selling ETF promoters for September. **UBS ETF** was the best-selling ETF promoter in Europe for September (+€7.7 bn), ahead of **iShares** (+€4.9 bn) and **Xtrackers** (+€3.2 bn).

Graph 7: Ten Best-Selling ETF Promoters, September 2019 (Euro Millions)

The flows of the 10-top promoters accounted for estimated net inflows of €19.5 bn. Despite the overall flow trend in September, it was clear that some of the 51 promoters (13) faced net outflows (−€0.5 bn in total) over the course of the month.
Assets Under Management by Funds
There were 2,895 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of September. Regarding the overall market pattern, it was not surprising the assets under management at the ETF level were also highly concentrated. Only 174 of the 2,895 instruments held assets above €1.0 bn each. These products accounted for €488.1 bn, or 61.36%, of the overall assets in the European ETF industry. The 10 largest ETFs in Europe accounted for €134.2 bn, or 16.88%, 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, September 30, 2019 (Euro Millions)

Source: Lipper from Refinitiv
ETF Flows by Funds

A total of 1,006 of the 2,895 instruments analyzed in this report showed net inflows of more than €10,000 each for September, accounting for €33.3 bn. This meant the other 1,889 instruments faced no flows or net outflows for the month. (When looking at this statistic, one needs to bear in mind that some of these instruments are convenience share classes that do not report assets under management. This means Lipper can’t calculate fund flows for these ETFs). In more detail, only 73 of the 1,006 ETFs posting net inflows enjoyed inflows of more than €100 m during September—for a total of €21.1 bn. The best-selling ETF for September, UBS ETFs plc - MSCI ACWI SF UCITS ETF (h USD) Aa, accounted for net inflows of €1.3 bn. It was followed by UBS ETFs plc - MSCI ACWI SF UCITS ETF (h CHF) Aa (+€1.1 bn) and UBS ETFs plc - MSCI ACWI SF UCITS ETF (h EUR) Aa (+€0.9 bn).

Graph 9: Ten Best-Selling ETFs, September 2019 (Euro Millions)

The flow pattern at the fund level indicated there was a lot of turnover and rotation during September, 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 somewhat surprising that only two of the 10 best-selling funds for September were promoted by iShares. These two ETFs accounted for total estimated net inflows of €1.4 bn.
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