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EUROPEAN ETF MARKET REPORT: September 2017

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



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EXECUTIVE SUMMARY

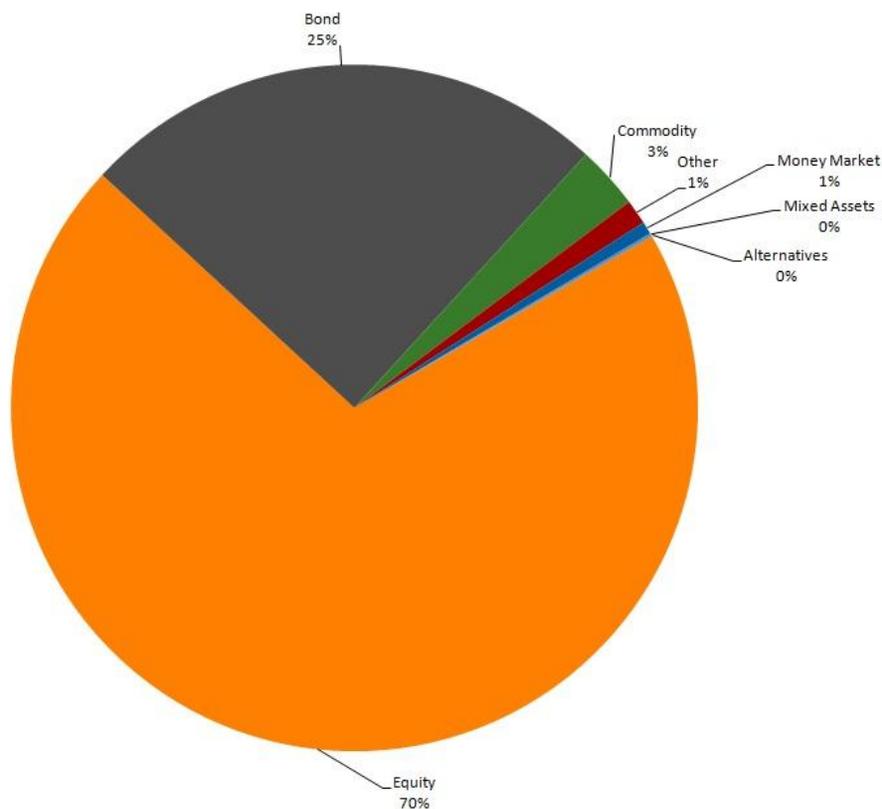
- The promoters of ETFs enjoyed net inflows (+€6.6 bn) for September. This was a significant increase compared to the net inflows of €3.1 bn for August but still below the rolling 12-month average of €6.7 bn.
- The overall net inflows into ETFs in Europe stood at €67.8 bn for the year 2017 so far.
- The assets under management in the European ETF industry (€598.7 bn) increased for September, up from €581.6 bn at the end of August.
- Equity ETFs (+€5.9 bn) posted the highest net inflows of the European ETF industry for September.
- The best selling Lipper global classification for September was Equity Eurozone (+€1.3 bn), followed by Equity Emerging Markets Global (+€1.0 bn) and Equity Sector Financials (+€0.9 bn).
- **iShares** was the best selling ETF promoter in Europe for September (+€3.7 bn), far ahead of **Amundi ETF** (+€1.1 bn) and **Lyxor ETF** (+€1.1 bn).
- The ten best selling funds gathered total net inflows of €2.7 bn for September.
- The best selling ETF for September, **iShares Core MSCI World UCITS ETF USD (Acc)**, accounted for net inflows of €0.5 bn or 7.43% of the overall net inflows.



REVIEW OF THE EUROPEAN ETF MARKET, SEPTEMBER 2017

The promoters of ETFs enjoyed net inflows for September. The assets under management in the European ETF industry (€598.7 bn) increased for September, up from €581.6 bn at the end of August. The increase of €17.1 bn for September was mainly driven by the performance of the underlying markets (+€10.5 bn), while net sales contributed €6.6 bn to the assets under management in the ETF segment. With regard to the overall number of products, it was not surprising that equity funds (€420.3 bn) held the majority of the assets, followed by bond funds (€149.9 bn), commodity products (€17.8 bn), “other” funds (€7.0 bn), money market funds (€3.6 bn), mixed-asset funds (€0.6 bn), and alternative UCITS products (€0.4 bn).

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, September 30, 2017



Source: Thomson Reuters Lipper



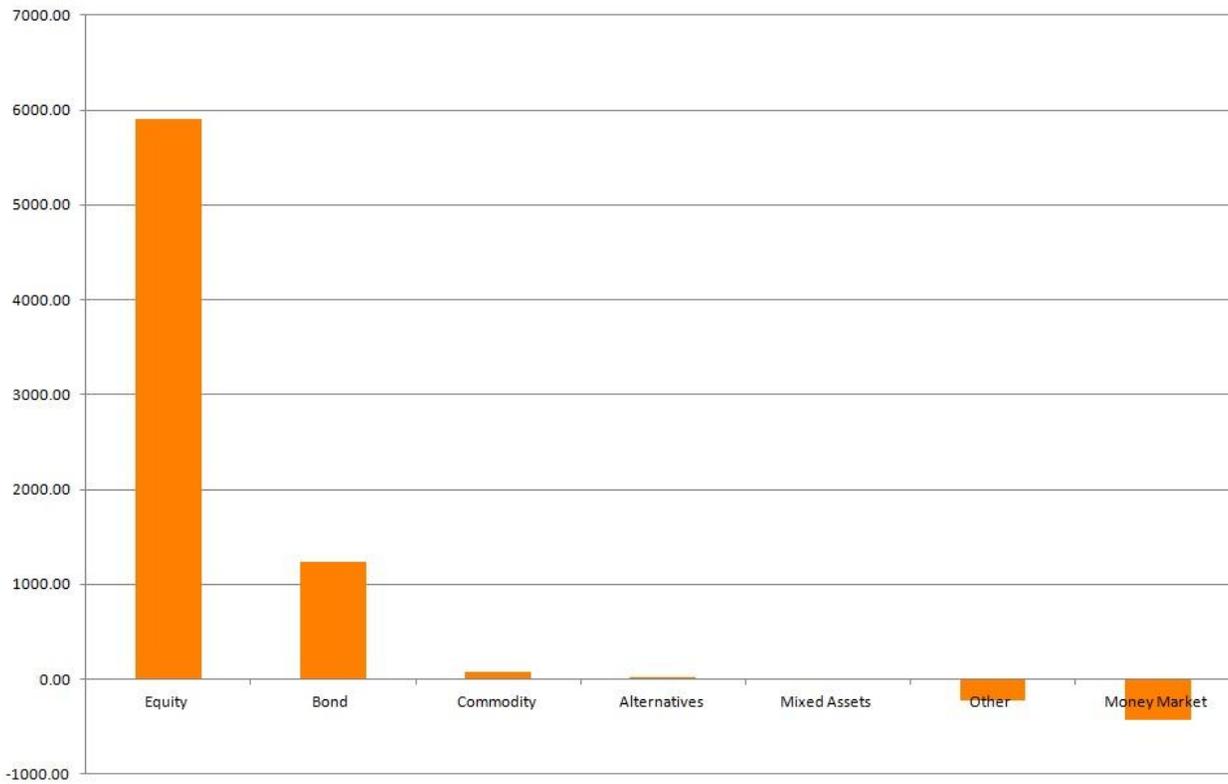
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Fund Flows by Asset Type

Equity ETFs (+€5.9 bn) posted the highest net inflows of the European ETF industry for September, followed by bond ETFs (+€1.2 bn), commodity ETFs (+€0.07 bn), alternative UCITS ETFs (+€0.02 bn), and mixed-asset ETFs (+€0.004 bn), while “other” ETFs (-€0.2 bn) and money market ETFs (-€0.4 bn) posted net outflows.

This flow pattern drove the overall net flows up to €67.8 bn for the year 2017 so far.

Graph 2: Estimated Net Sales, September 2017 (Euro Millions)

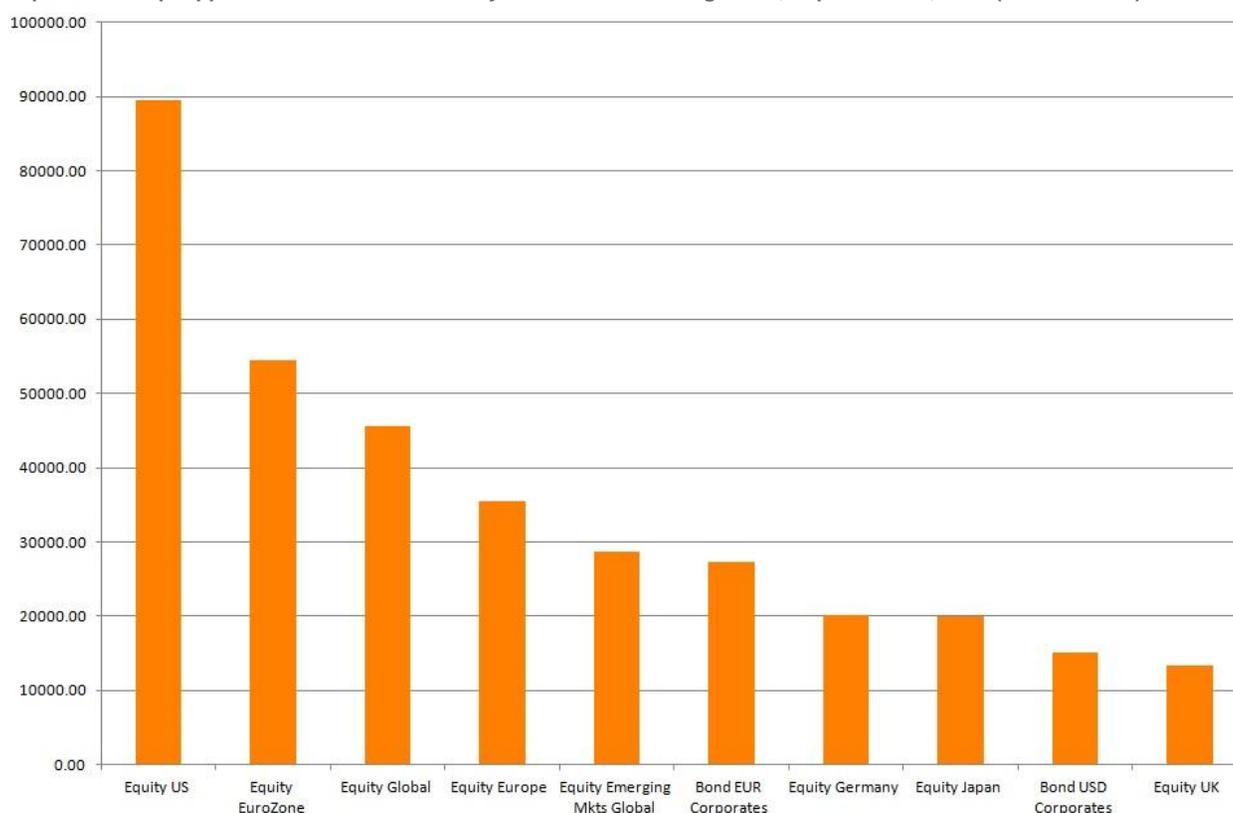


Source: Thomson Reuters Lipper

Assets Under Management by Lipper Global Classifications

With regard to the Lipper global classifications, the European ETF market was split into 156 different peer groups. The highest assets under management at the end of September were held by funds classified as Equity US (€89.5 bn), followed by Equity Eurozone (€54.5 bn), Equity Global (€45.7 bn), and Equity Europe (€35.4 bn) as well as Equity Emerging Markets Global (€28.7 bn). These five peer groups accounted for 42.39% of the overall assets under management in the European ETF segment, while the ten top classifications by assets under management accounted for 58.40%. Overall, 20 of the 156 peer groups each accounted for more than 1% of the assets under management. In total, these 20 peer groups accounted for €436.7 bn or 72.94% of the overall assets under management. In addition, it is 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 only as so-called satellites that are bought and sold quite frequently to implement asset allocation views in their portfolios. These numbers show that the assets under management in the European ETF industry continued to be highly concentrated. In this regard, it needs to be mentioned that Equity Emerging Markets Global took fifth place in the ranking for the month, since Bond EUR Corporates faced another month of net outflows, while Equity Emerging Markets Global enjoyed net inflows.

Graph 3: Ten Top Lipper Global Classifications by Assets Under Management, September 30, 2017 (Euro Millions)



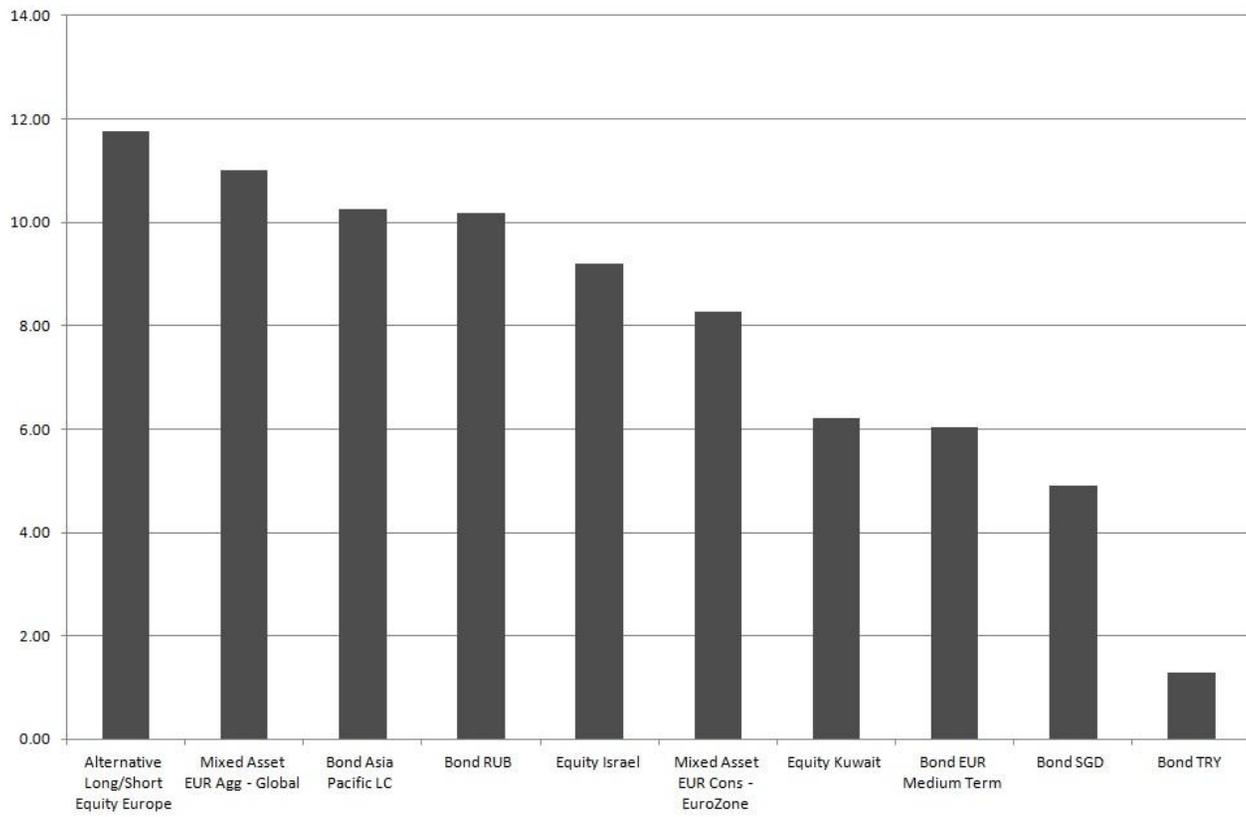
Source: Thomson Reuters Lipper

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 may 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.)



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Graph 4: Ten Smallest Lipper Global Classifications by Assets Under Management, September 30, 2017 (Euro Millions)



Source: Thomson Reuters Lipper



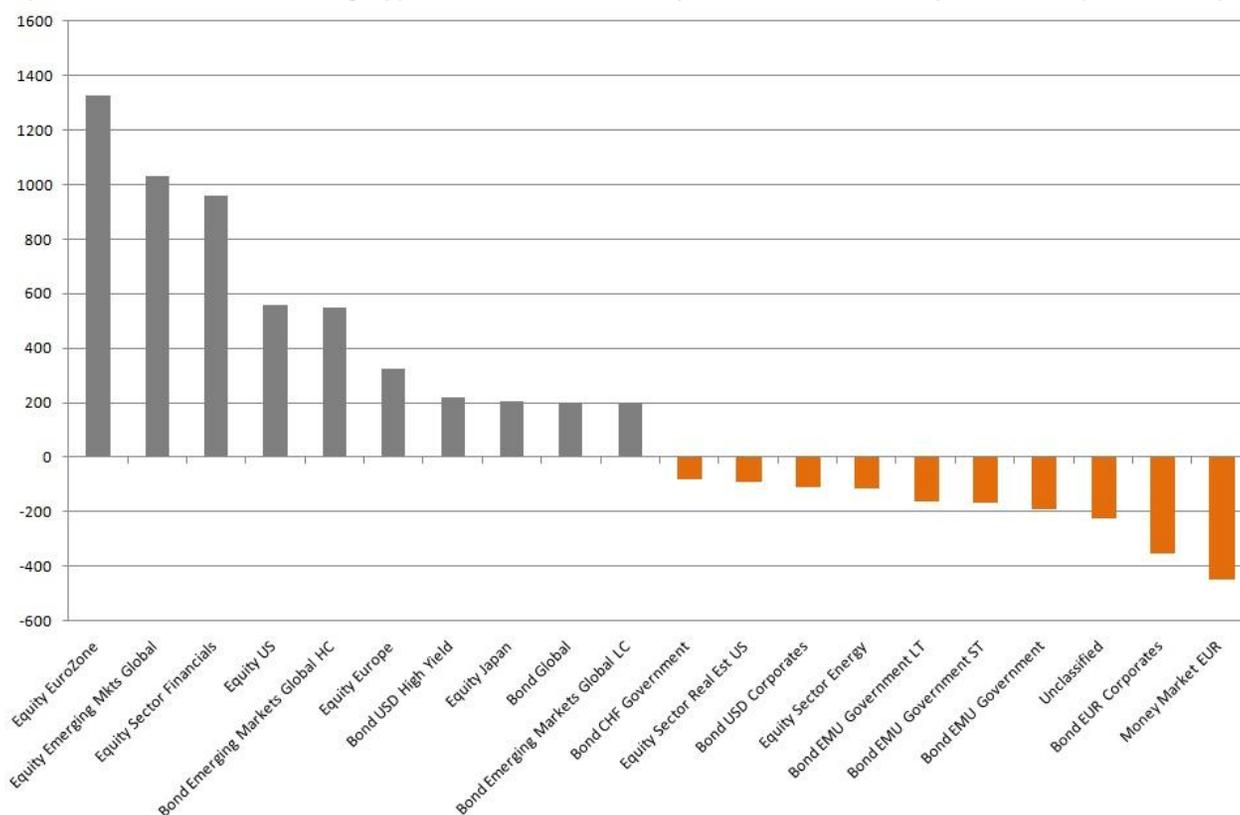
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Fund Flows by Lipper Global Classifications

With regard to the overall sales for September, it was not surprising that the ten best selling peer groups were dominated by equity funds, since equity ETFs were investors' darlings for the month. The best selling Lipper global classification for September was Equity Eurozone (+€1.3 bn), followed by Equity Emerging Markets Global (+€1.0 bn) and Equity Sector Financials (+€0.9 bn). It is noteworthy that Equity Sector Financials appeared in the list of the three best selling Lipper classifications for a second consecutive month.

The inflows of the ten best selling Lipper classifications equalled to 84.61% 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, September 2017 (Euro Millions)



Source: Thomson Reuters Lipper

On the other side of the table the ten peer groups with the highest net outflows for September accounted for €1.9 bn of outflows. Money Market EUR (-€0.4 bn) faced the highest net outflows, bettered somewhat by Bond EUR Corporates (-€0.4 bn) and "Unclassified" ETFs (-€0.2 bn).

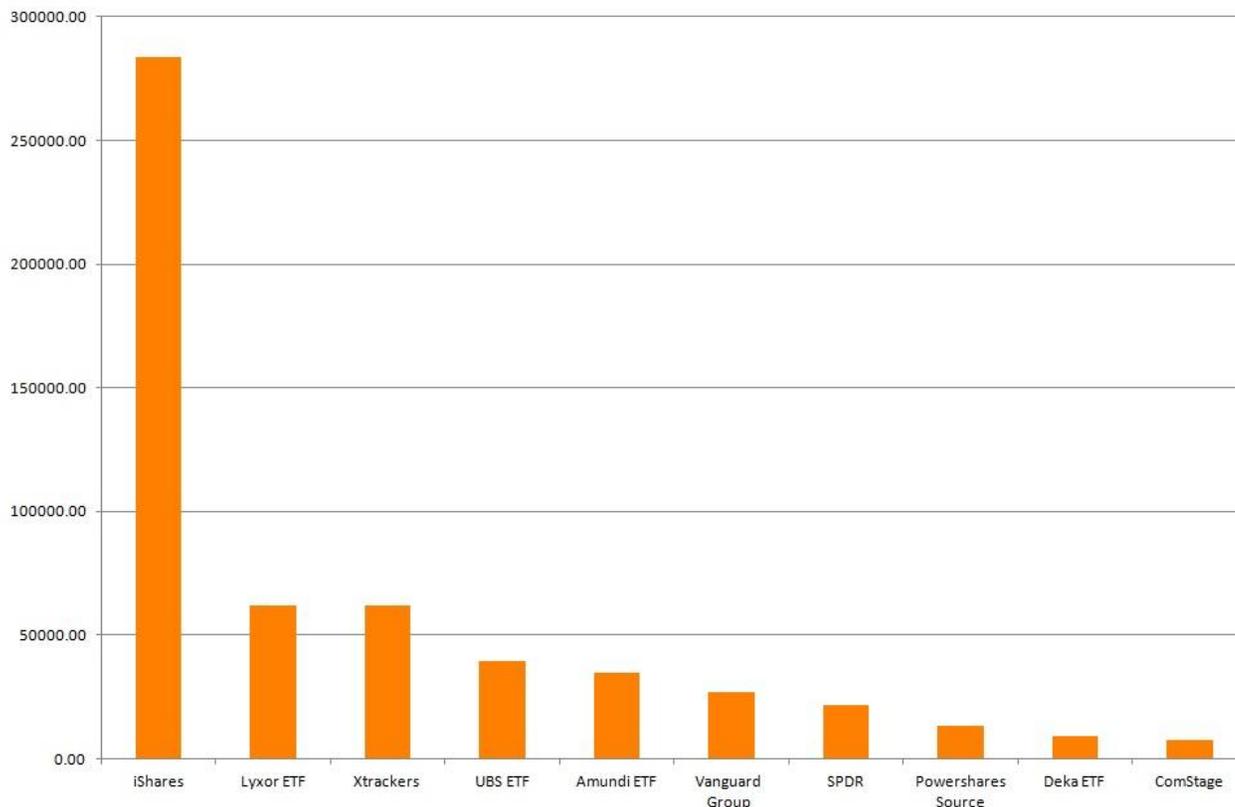


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Assets Under Management by Promoters

A closer look at the assets under management in the European ETF industry by promoters also showed high concentration, since only 18 of the 48 ETF promoters in Europe held assets at or above €1.0 bn each. The largest ETF promoter in Europe—**iShares** (€283.8 bn)—accounted for 47.41% of the overall assets under management, far ahead of the number-two promoter—**Lyxor ETF** (€62.2 bn)—and the number-three promoter—**Xtrackers** (€62.2 bn). It is noteworthy that Lyxor ETF reclaimed the second place in this table in September because of higher net sales compared to Xtrackers. (To learn more about the concentration of the European ETF market at the promoter level, please read our report: [Facts about the concentration in the European ETF industry.](#))

Graph 6: Ten Top ETF Promoters by Assets Under Management, September 30, 2017 (Euro Millions)



Source: Thomson Reuters Lipper

The ten top promoters accounted for 93.75% of the overall assets under management in the European ETF industry. This meant in turn that the other 38 fund promoters registering at least one ETF for sale in Europe accounted for only 6.25% of the overall assets under management.

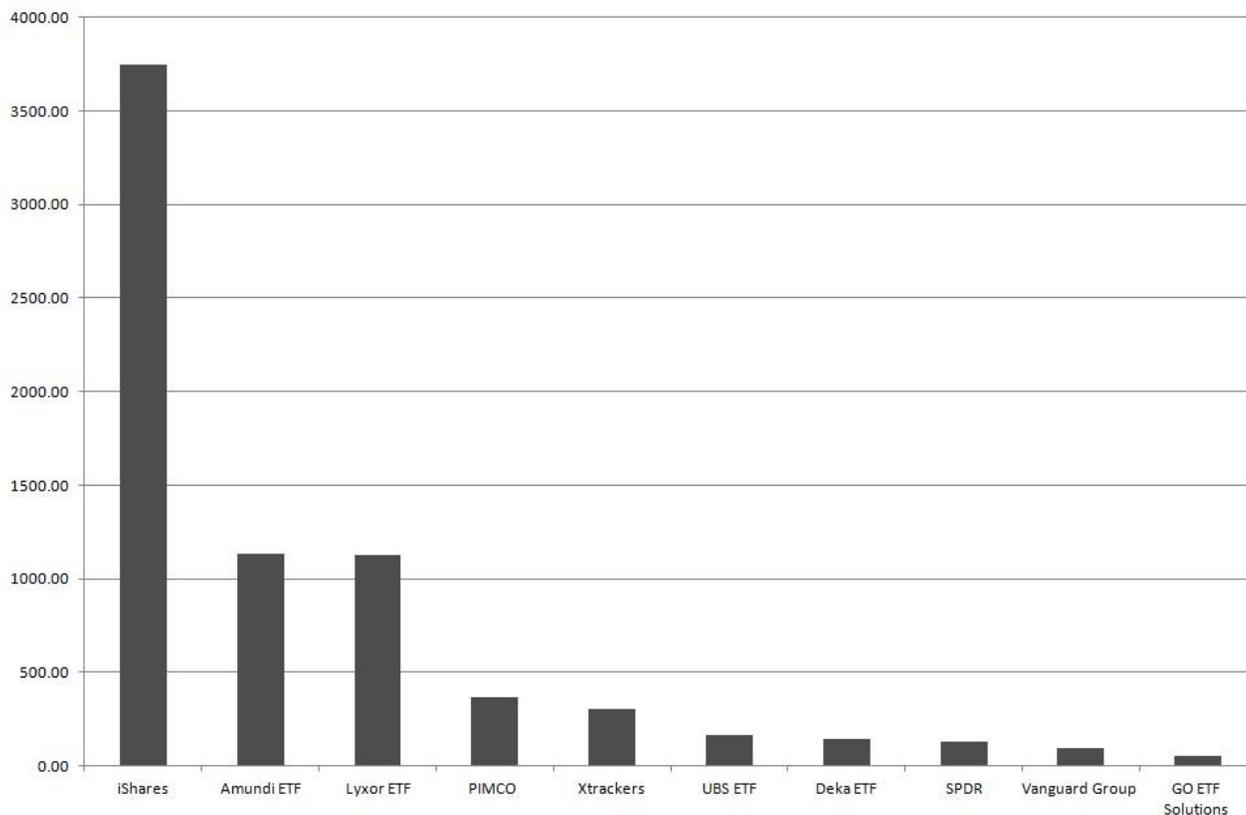


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Fund Flows by Promoters

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 September. Europe's largest ETF promoter—**iShares**—was also still the best selling ETF promoter in Europe for September (+€3.7 bn), far ahead of **Amundi ETF** (+€1.1 bn) and **Lyxor ETF** (+€1.1 bn).

Graph 7: Ten Best Selling ETF Promoters, September 2017 (Euro Millions)



Source: Thomson Reuters Lipper

Since the flows of the ten top promoters accounted for 110.42% of the overall estimated net flows into ETFs in Europe for September, it was clear that some of the 48 promoters (9) faced net outflows (-€0.9 bn in total) over the course of September.

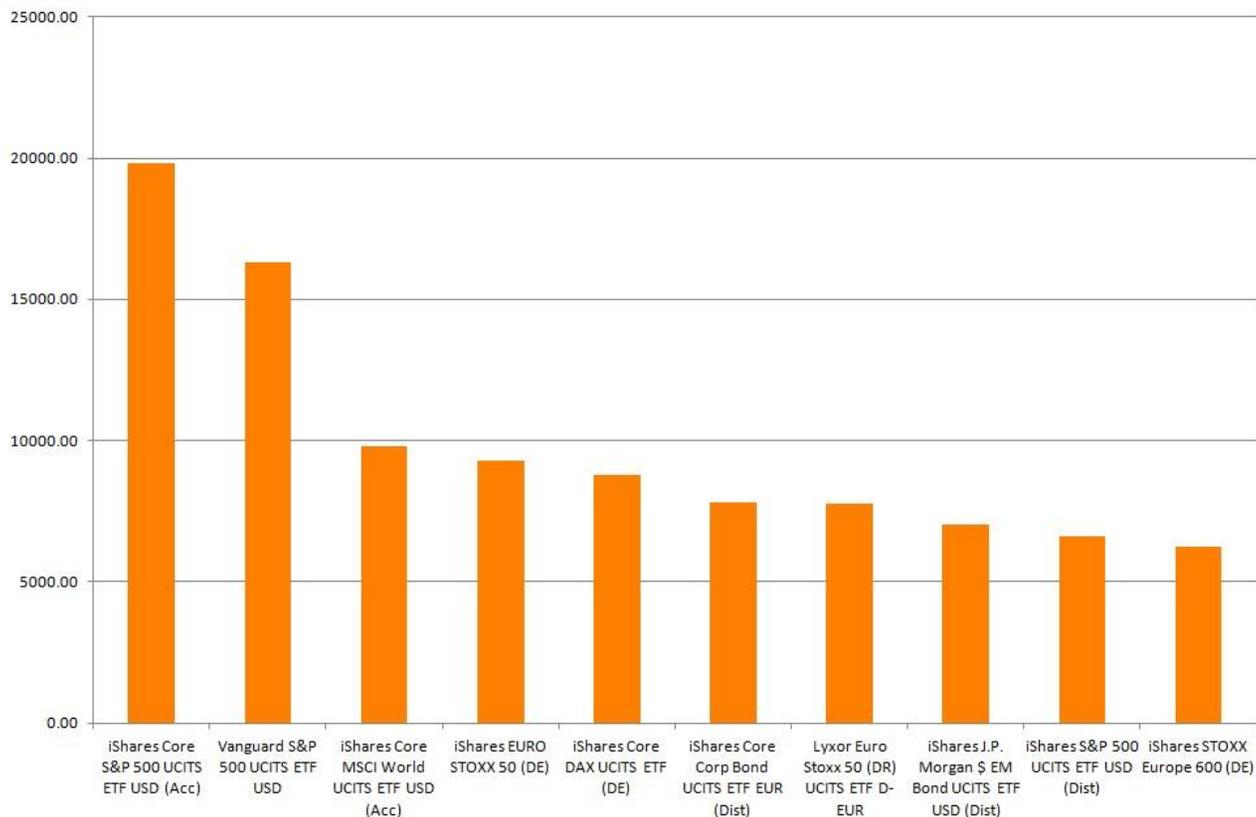


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Assets Under Management by Funds

There were 2,271 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of September. 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 133 of the 2,271 instruments held assets above €1.0 bn each. These products accounted for €356.1 bn or 59.47% of the overall assets in the European ETF industry. The ten largest ETFs in Europe accounted for €99.5 bn or 16.61% 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, 2017 (Euro Millions)



Source: Thomson Reuters Lipper

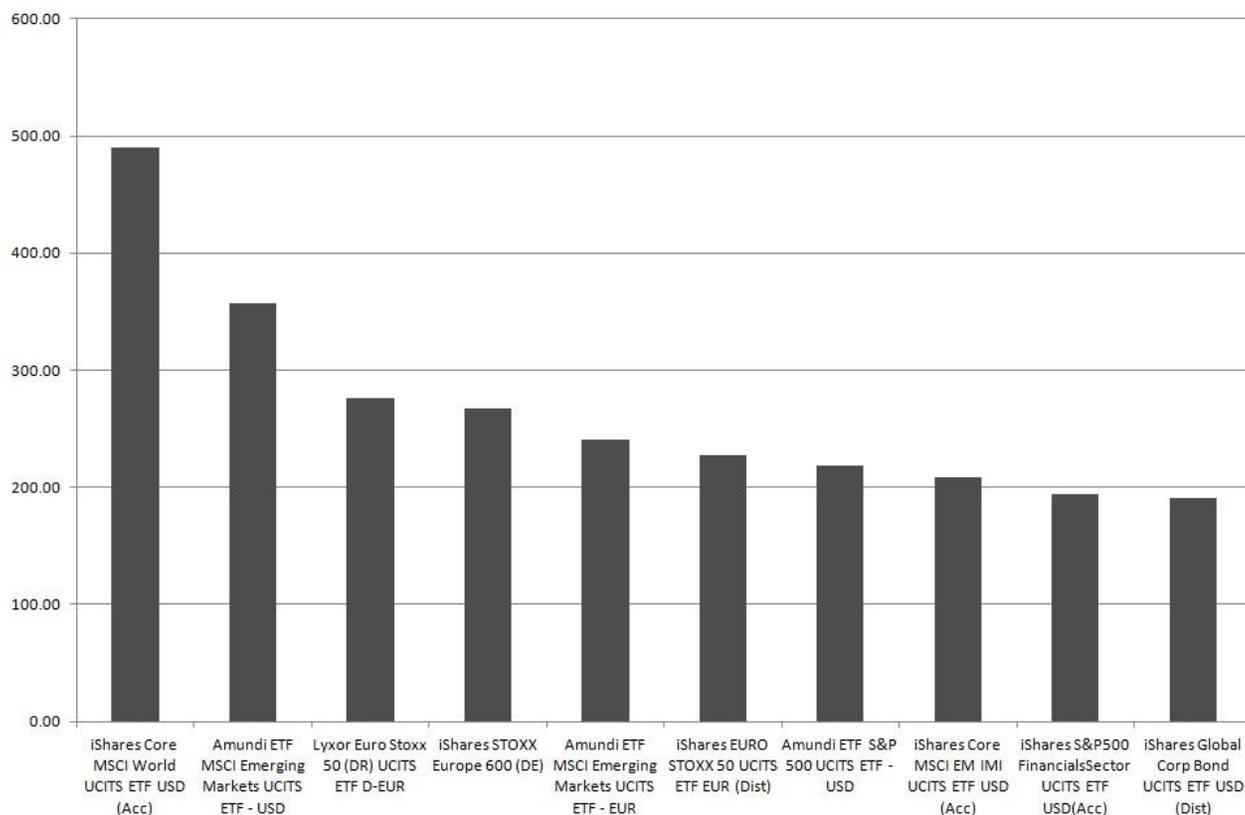


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ETF Flows by Funds

A total of 671 of the 2,271 instruments analyzed in this report showed net inflows of more than €10,000 each for September, accounting for €15.5 bn or 235.41% of the overall net flows. This meant in turn that the other 1,600 instruments faced no flows or net outflows for the month. In more detail only 43 of the 671 ETFs posting net inflows enjoyed inflows of more than €100 m each during September, summing to €7.2 bn. The best selling ETF for September, **iShares Core MSCI World UCITS ETF USD (Acc)**, accounted for net inflows of €0.5 bn or 7.43% of the overall net inflows; it was followed by **Amundi ETF MSCI Emerging Markets UCITS ETF-USD** (+€0.4 bn) and **Lyxor Euro Stoxx 50 (DR) UCITS ETF D-EUR** (+€0.3 bn).

Graph 9: Ten Best Selling ETFs, September 2017 (Euro Millions)



Source: Thomson Reuters Lipper

The flow pattern at the fund level indicated that 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. Nevertheless, six of the ten best selling funds for September were promoted by **iShares**; these accounted for total net inflows of €1.9 bn or 28.12% of the net inflows into the European ETF segment.



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For more information, please contact our Thomson Reuters Lipper Research Team.

Detlef Glow

Head of Lipper EMEA Research
Phone: +49(69) 75651318
detlef.glow@thomsonreuters.com

Robert Jenkins

Global Head of Research, Lipper
Phone: +1 (617) 856-1209
robert.jenkins@thomsonreuters.com

Xav Feng

Head of Lipper Asia Pacific Research
Phone: +886 935577847
xav.feng@thomsonreuters.com

Jake Moeller

Head of Lipper United Kingdom & Ireland
Research
Phone: +44(20) 75423218
jake.moeller@thomsonreuters.com

Otto Christian Kober

Global Head of Methodology, Lipper
Phone: +41 (0)58 306 7594
otto.kober@thomsonreuters.com

Tom Roseen

Head of Research Services
Phone: +1 (303) 357-0556
tom.roseen@thomsonreuters.com

Media enquiries:

Eddie Dunthorne
Eddie.dunthorne@thomsonreuters.com

Lipper U.S. Client Services

+1 877 955 4773
customers.reuters.com/crmcontactus/support.asp

Lipper Europe Client Services

(UK) 0845 600 6777
(Europe) +44207 542 8033
customers.reuters.com/crmcontactus/support.asp

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+886 2 2500 4806
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