

THOMSON REUTERS LIPPER

EUROPEAN ETF MARKET REPORT: Review of the year 2017

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

Date of issue: January 15, 2018



THOMSON REUTERS™

EXECUTIVE SUMMARY

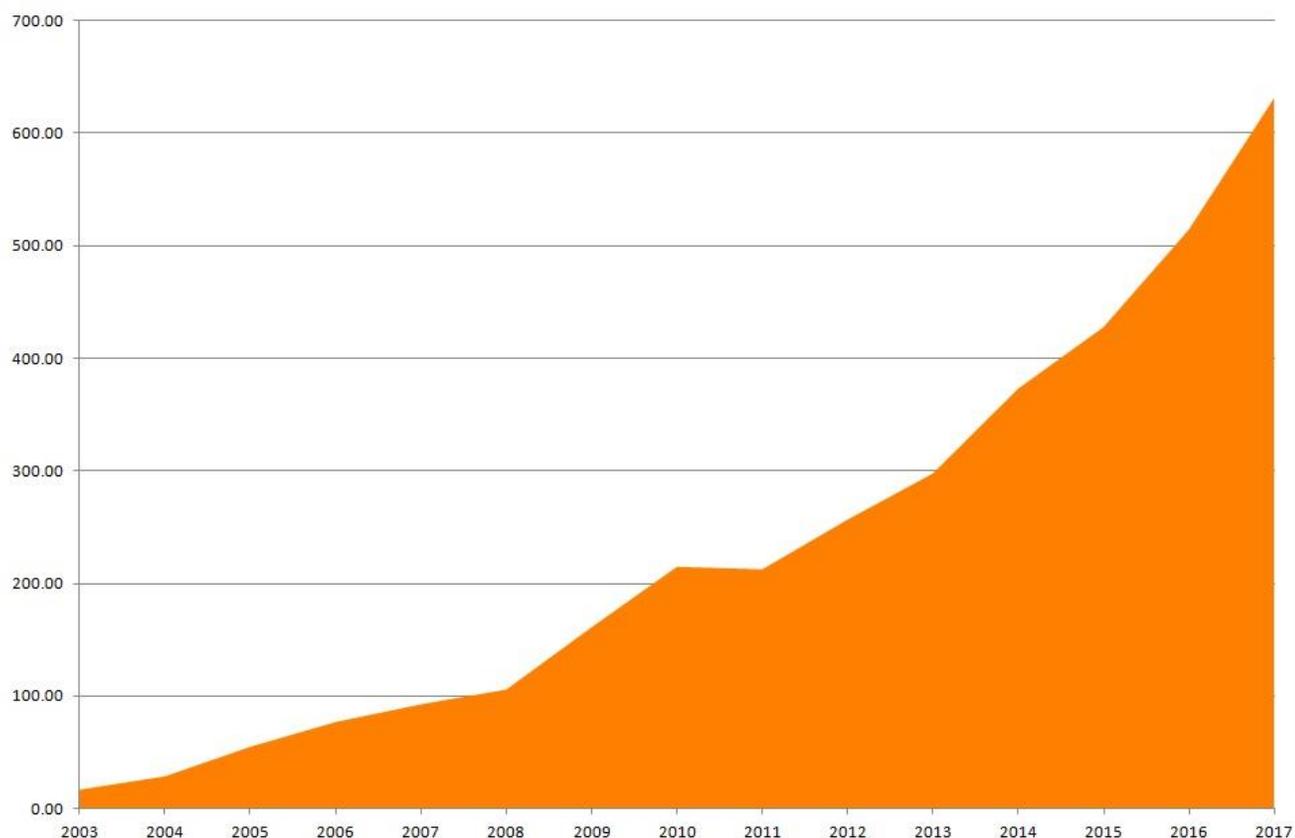
- Assets under management in ETFs hit a new all-time high (€631.2 bn) in 2017.
- Equity ETFs (+€62.8 bn) were the asset type with the highest net inflows in the European ETF industry over the course of 2017.
- Equity US (€97.3 bn) was the peer group with the highest assets under management at the end of December 2017.
- The best selling Lipper global classification over the course of 2017 was Equity Global (+€11.8 bn), followed by Equity US (+€10.7 bn) and Equity Eurozone (+€8.3 bn).
- **iShares** (€294.9 bn) accounted for 46.72% of the overall assets under management, far ahead of the number-two promoter—**Xtrackers** (€68.1 bn)—and the number-three promoter—**Lyxor ETF** (€64.2 bn).
- **iShares**, with net sales of €34.6 bn, was the best selling ETF promoter in Europe, followed at a distance by **Xtrackers** (+€11.2 bn) and **Lyxor ETF** (+€10.9 bn).
- The ten best selling funds gathered total net inflows of €18.9 bn for 2017.
- **iShares Core S&P 500 UCITS ETF USD (Acc)** (€21.5 bn) was the largest individual ETF by assets under management for 2017.
- **iShares JP Morgan EM Local Government Bond UCITS ETF** (+€2.8 bn) was the best selling individual ETF for 2017.
- The average total expense ratio for ETFs in Europe stood at 0.32% on average at the end of December 2017.



REVIEW OF THE EUROPEAN ETF MARKET IN 2017

The European ETF industry enjoyed further increasing popularity with all kinds of investors in 2017. This popularity was seen also in the development of the assets under management; assets held by the European ETF industry increased for a sixth consecutive year and marked a new all-time high at €631.2 bn at the end of December 2017.

Graph 1: Assets Under Management in the European ETF Segment (Euro Billions)



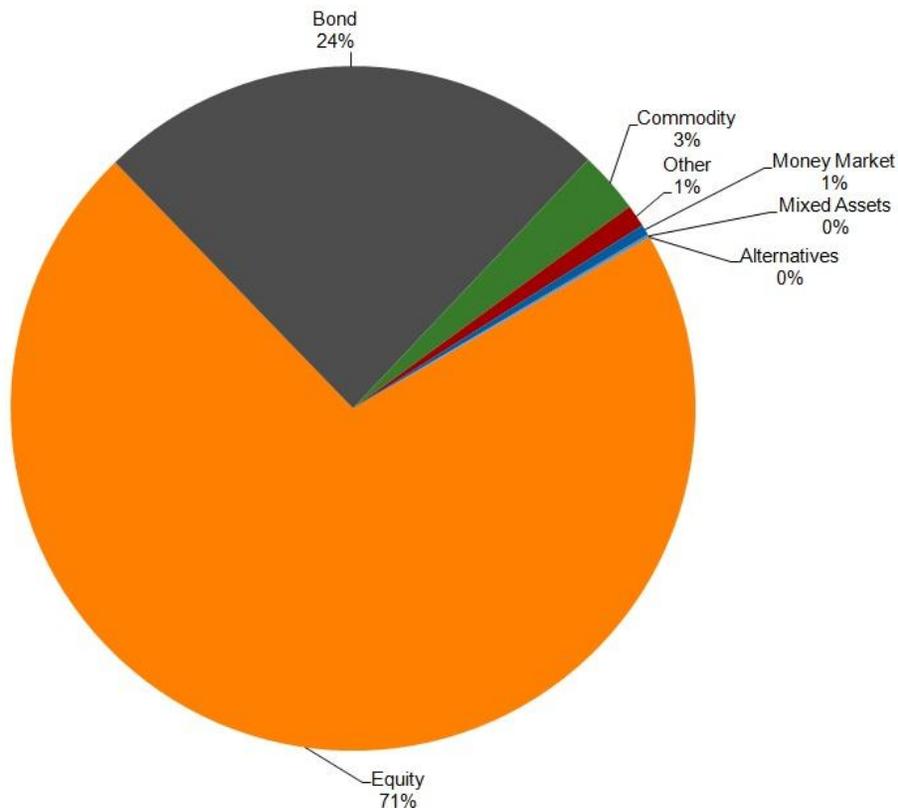
Source: Thomson Reuters Lipper

With regard to the overall number of products, it was not surprising that equity funds (€448.8 bn) held the majority of the assets, followed by bond funds (€153.3 bn), commodity products (€18.4 bn), “other” funds (€6.7 bn), money market funds (€3.1 bn), mixed-asset funds (€0.6 bn), and alternative UCITS products (€0.4 bn). It was noteworthy that the assets under management increased for all asset types over the course of the year 2017.



THOMSON REUTERS™

Graph 2: Market Share, Assets Under Management in the European ETF Segment by Asset Type, December 31, 2017



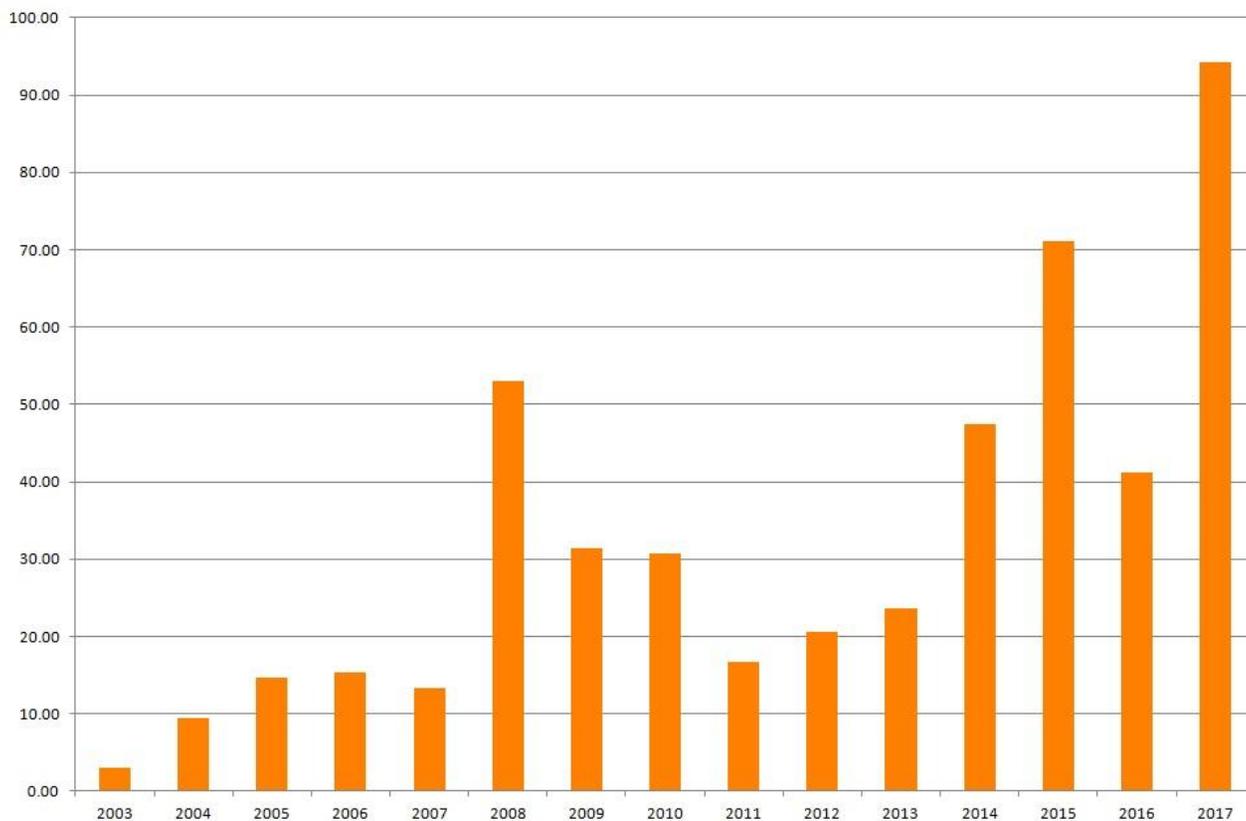
Source: Thomson Reuters Lipper

As was to be expected from the overall environment for the European fund industry, the promoters of ETFs enjoyed net inflows for the year 2017 (€94.2 bn) that were above the record net inflows of 2015 (€71.1 bn) and also far above the long-term average (€28.0 bn).

Positive market impacts in combination with record net inflows led to a new all-time high in assets under management in the European ETF industry (€631.2 bn), up from €514.4 bn at the end of December 2016. The overall increase of €116.8 bn for 2017 was mainly driven by net sales (+€94.2 bn), while the performance of the markets added €22.6 bn to the increase in assets under management in the ETF segment.



Graph 3: Estimated Net Sales, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

Fund Flows by Asset Type

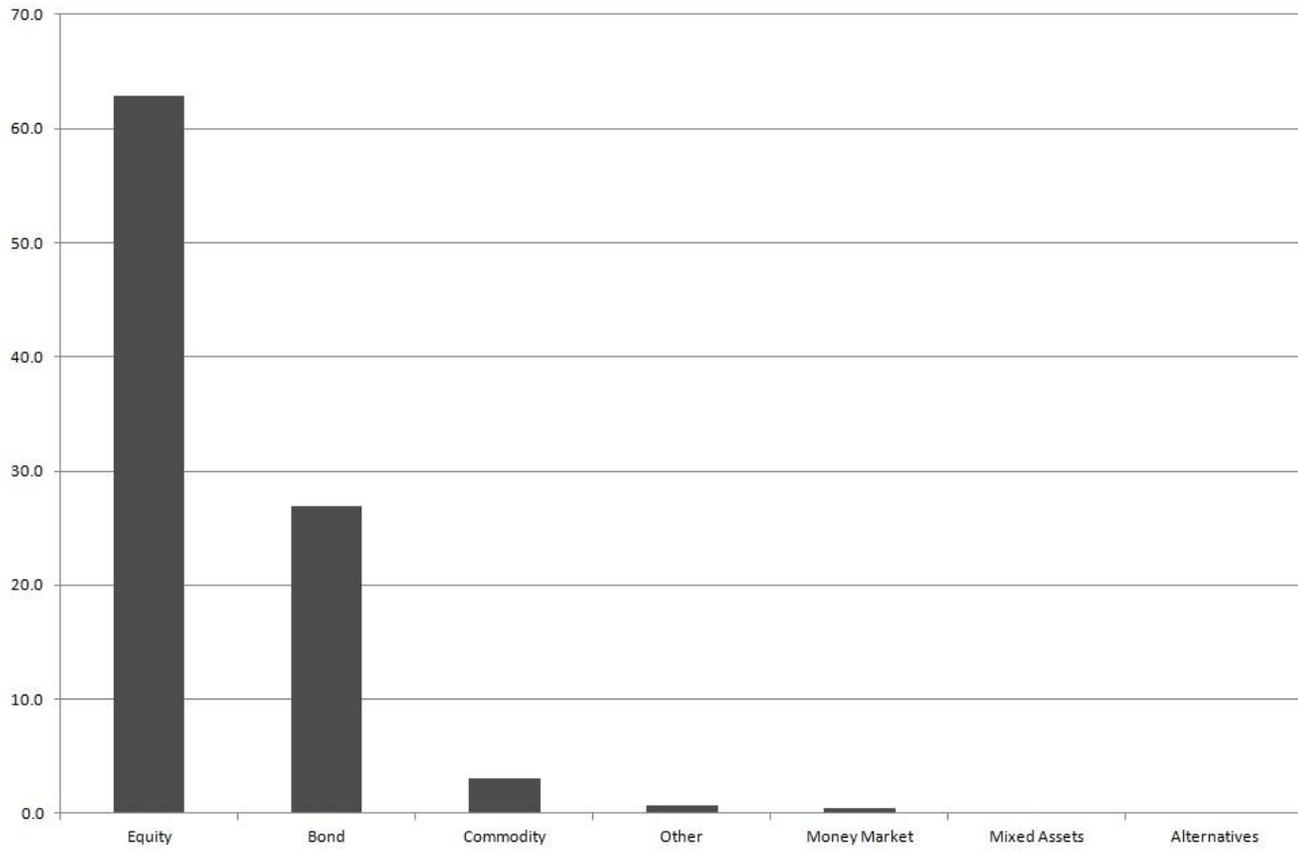
Equity ETFs (+€62.8 bn) were by far the best selling asset type in the European ETF segment over the course of the year, followed by bond ETFs (+€26.9 bn), commodity ETFs (+€3.1 bn), “other” ETFs (+€0.8 bn), and money market ETFs (+€0.4 bn) as well as mixed-asset ETFs (+€0.1 bn) and alternative UCITS ETFs (+€0.1 bn).

Even though the net inflows into ETFs over the course of 2017 were remarkably high, these flows need to be seen in the context of the overall net inflows into the European fund industry, which were also at a record high.



THOMSON REUTERS™

Graph 4: Estimated Net Sales by Asset Type, 2017 (Euro Billions)



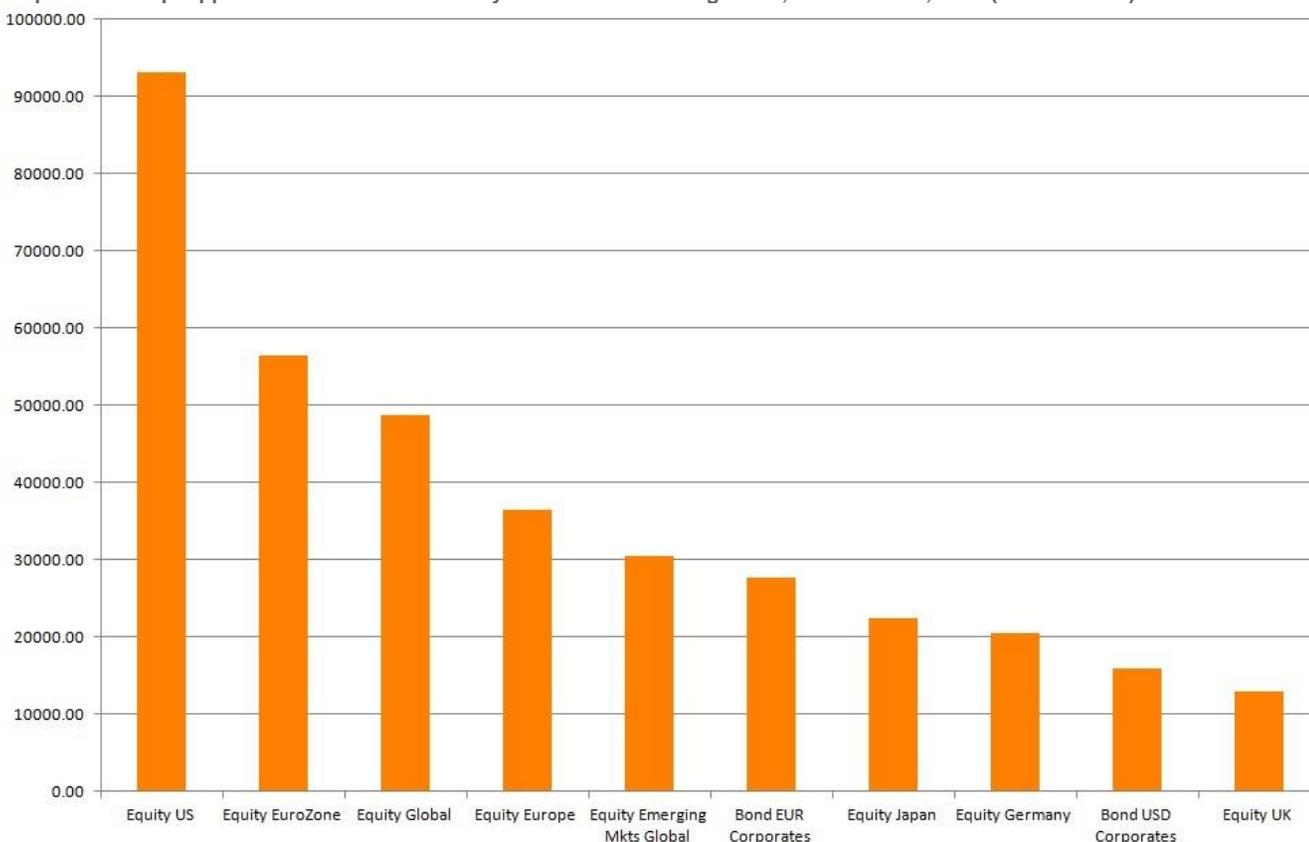
Source: Thomson Reuters Lipper



Assets Under Management by Lipper Global Classifications

With regard to the Lipper global classifications, the European ETF market was split into 152 different peer groups. The highest assets under management at the end of December 2017 were held by funds classified as Equity US (€97.3 bn), followed by Equity Eurozone (€54.0 bn), Equity Global (€51.8 bn), and Equity Europe (€37.1 bn) as well as Equity Emerging Markets Global (€31.7 bn). It is noteworthy that Equity Emerging Markets Global joined the five top Lipper Global Classifications over the course of the year 2017, replacing Bond EUR Corporates, which was the sixth largest peer group in this statistic. The five top peer groups accounted for 43.09% of the overall assets under management in the European ETF segment, while the ten top classifications by assets under management accounted for 59.28%. Overall, 20 of the 152 peer groups each accounted for more than 1% of the assets under management. In total, these 20 peer groups accounted for €461.1 bn or 73.05% of the overall assets under management. These numbers showed that the assets under management in the European ETF industry continued to be highly concentrated.

Graph 5: Ten Top Lipper Global Classifications by Assets Under Management, December 31, 2017 (Euro Billions)



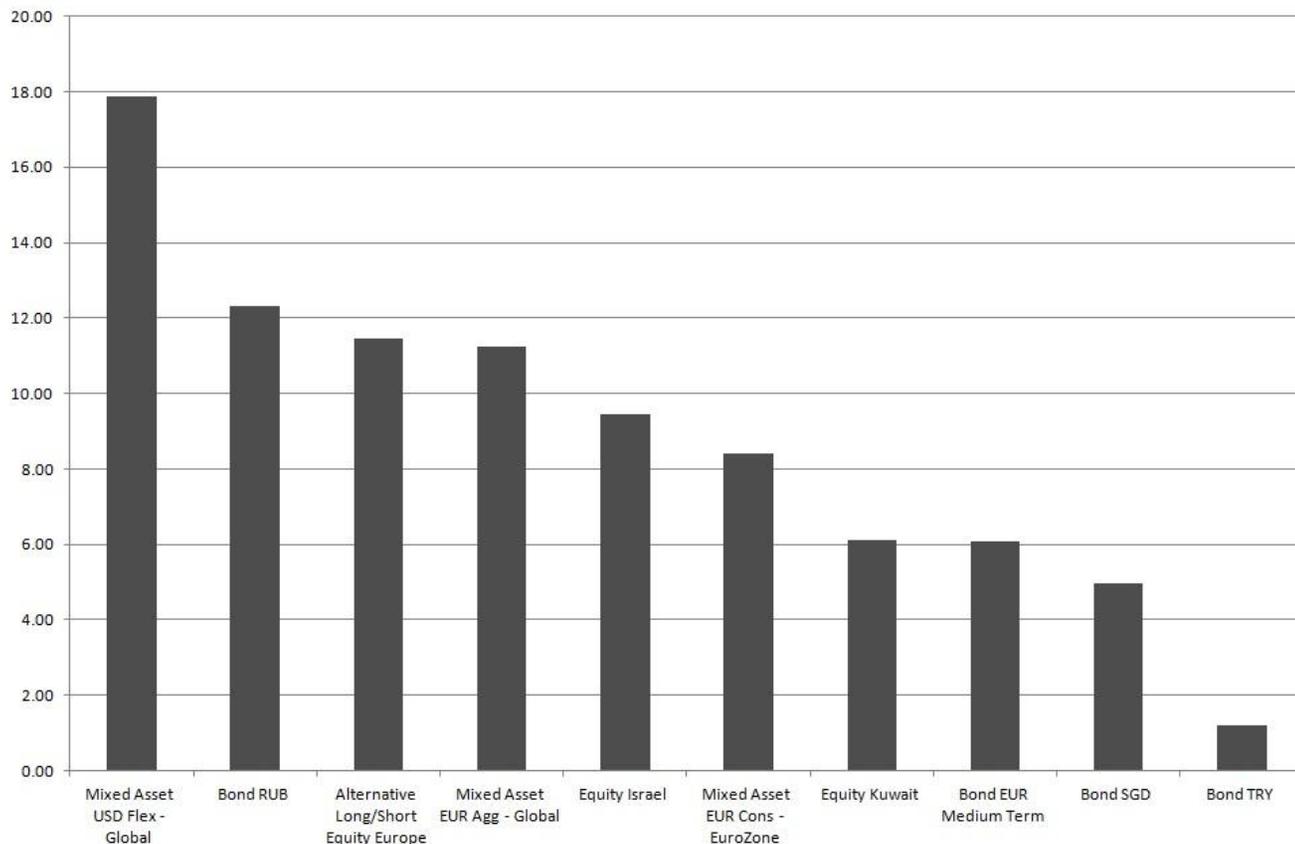
Source: Thomson Reuters Lipper



THOMSON REUTERS™

The peer groups on the other side of the table showed that some funds in the European ETF market were quite low in assets and may face the risk of being closed in the near future. They were obviously lacking investor interest and might therefore not be profitable for the respective fund promoters.

Graph 6: Ten Smallest Lipper Global Classifications by Assets Under Management, December 31, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

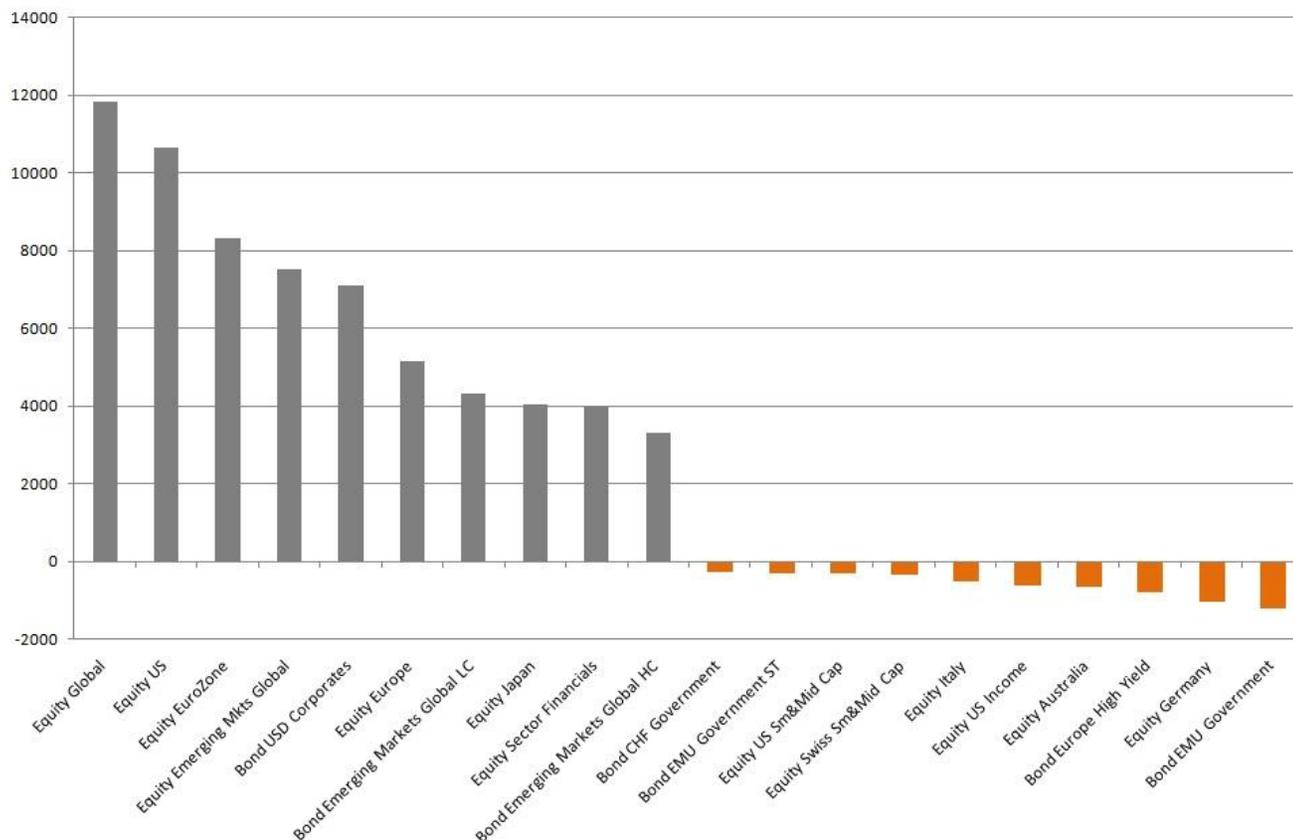


THOMSON REUTERS™

Fund Flows by Lipper Global Classifications

The best selling Lipper global classification for the year 2017 was Equity Global (+€11.8 bn), followed by Equity US (+€10.7 bn) and Equity Eurozone (+€8.3 bn). The net inflows of the ten best selling Lipper classifications (€66.3 bn) equalled to 73.43% of the overall inflows for the year. These numbers showed that the European ETF segment was 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 7: Ten Best and Worst Lipper Global Classifications by Estimated Net Sales, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

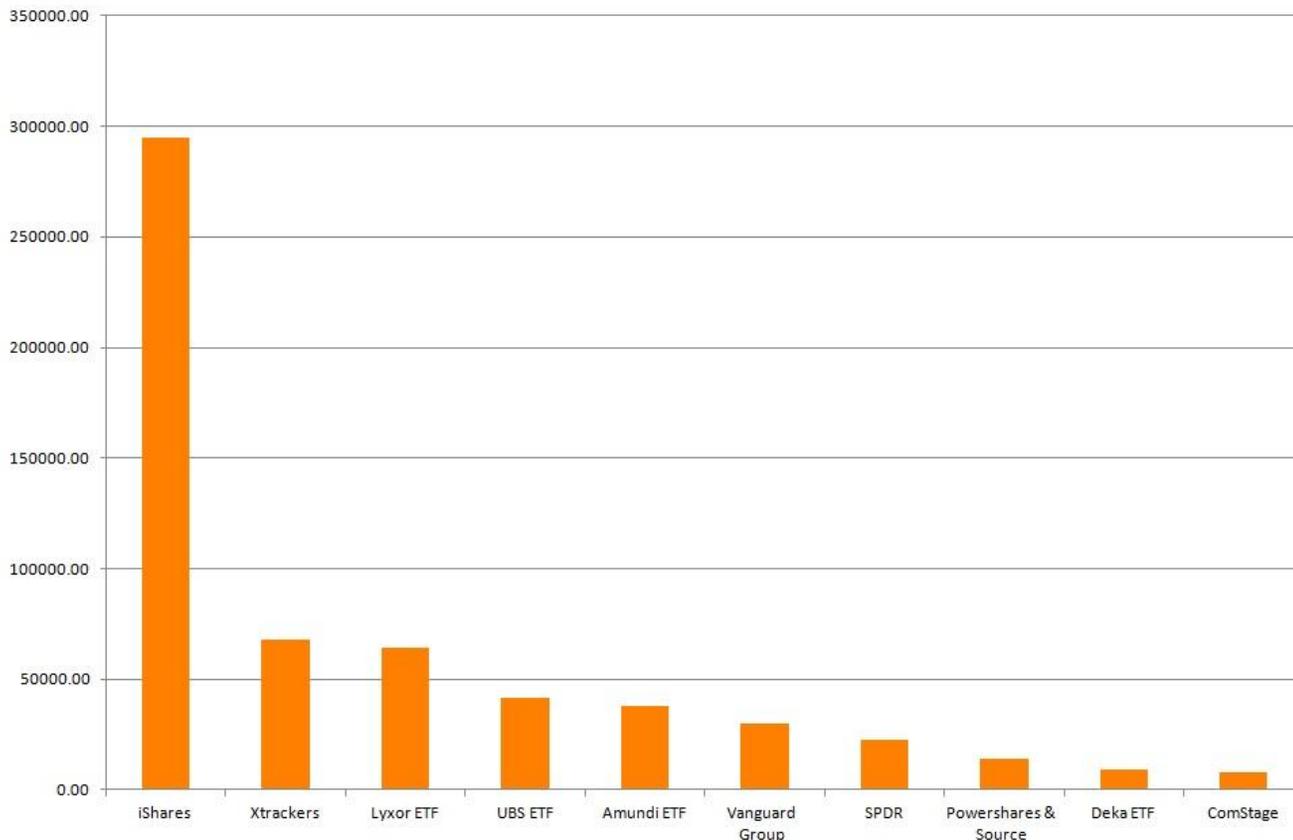
On the other side of the table the ten peer groups with the highest net outflows for the year 2017 accounted for €5.7 bn of outflows. Bond EMU Government (-€1.2 bn) faced the highest net outflows for the year, bettered somewhat by Equity Germany (-€1.0 bn) and Bond Europe High Yield (-€0.8 bn).



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 18 of the 47 ETF promoters in Europe held assets at or above €1.0 bn each. The largest ETF promoter in Europe—**iShares** (€294.9 bn)—accounted for 46.72% of the overall assets under management, far ahead of the number-two promoter—**Xtrackers** (€68.1 bn)—and the number-three promoter—**Lyxor ETF** (€64.2 bn). (To learn more about the concentration of the European ETF market at the promoter level, please read our report: [Is the dominance of big players killing the competition in the European ETF industry?](#))

Graph 8: Ten Top ETF Promoters by Assets Under Management, December 31, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

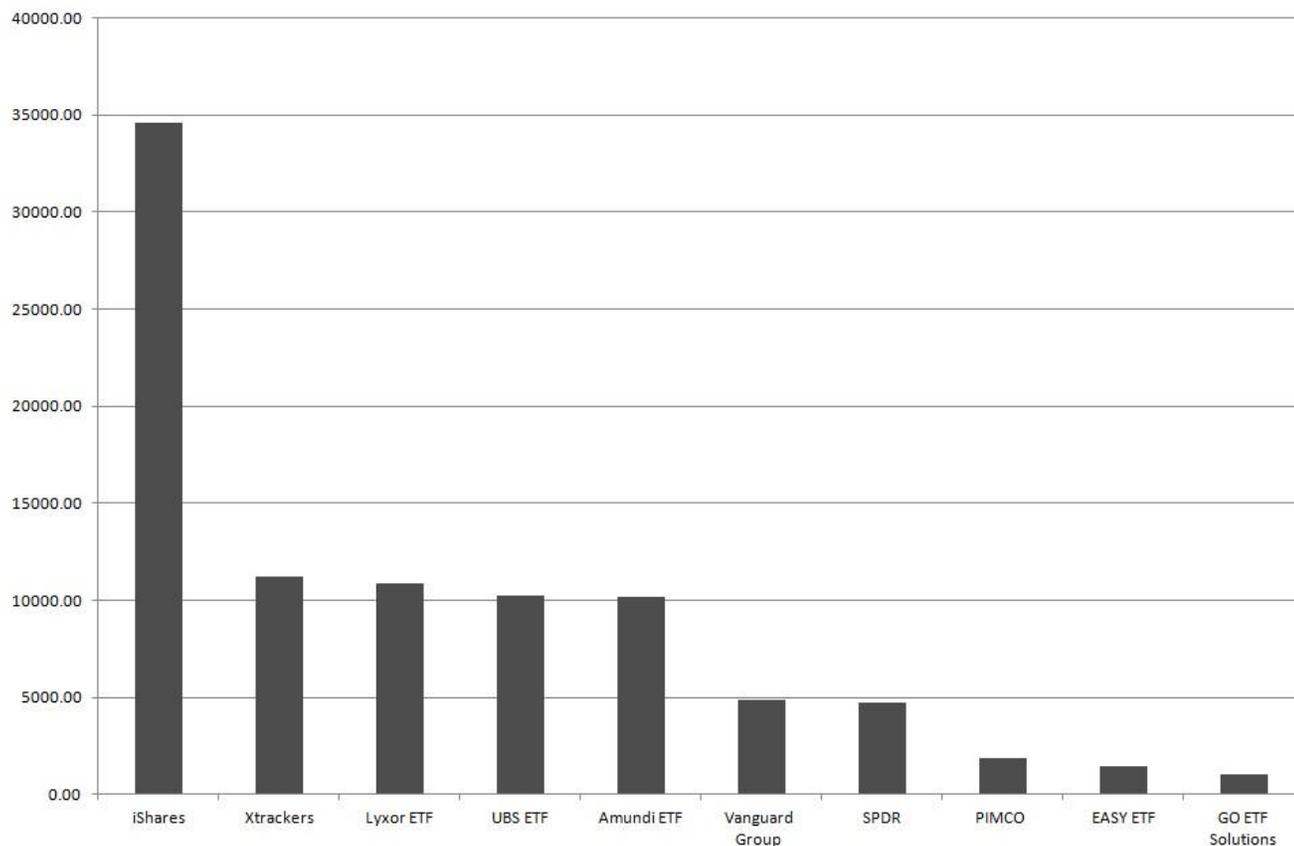
The ten top promoters accounted for 93.91% of the overall assets under management in the European ETF industry. This meant in turn that the other 37 fund promoters registering at least one ETF for sale in Europe accounted for only 6.09% of the overall assets under management. Comparing these numbers with numbers for 2016 showed that the dominance of the ten top ETF promoters in Europe further increased over the course of 2017.



Fund Flows by Promoters

Since the European ETF market is highly concentrated, it was not surprising that seven of the ten largest promoters by assets under management were also among the ten top-selling ETF promoters for 2017. **iShares**, with net sales of €34.6 bn, was the best selling ETF promoter in Europe, followed at a distance by **Xtrackers** (+€11.2 bn) and **Lyxor ETF** (+€10.9 bn).

Graph 9: Ten Best Selling ETF Promoters, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

The inflows of the ten top promoters accounted for 96.55% of the overall estimated net flows into ETFs in Europe for 2017. Since the assets under management in the European ETF industry were highly concentrated, it was clear that some of the 47 promoters (11) faced net outflows (-€0.3 bn in total) over the course of the year.

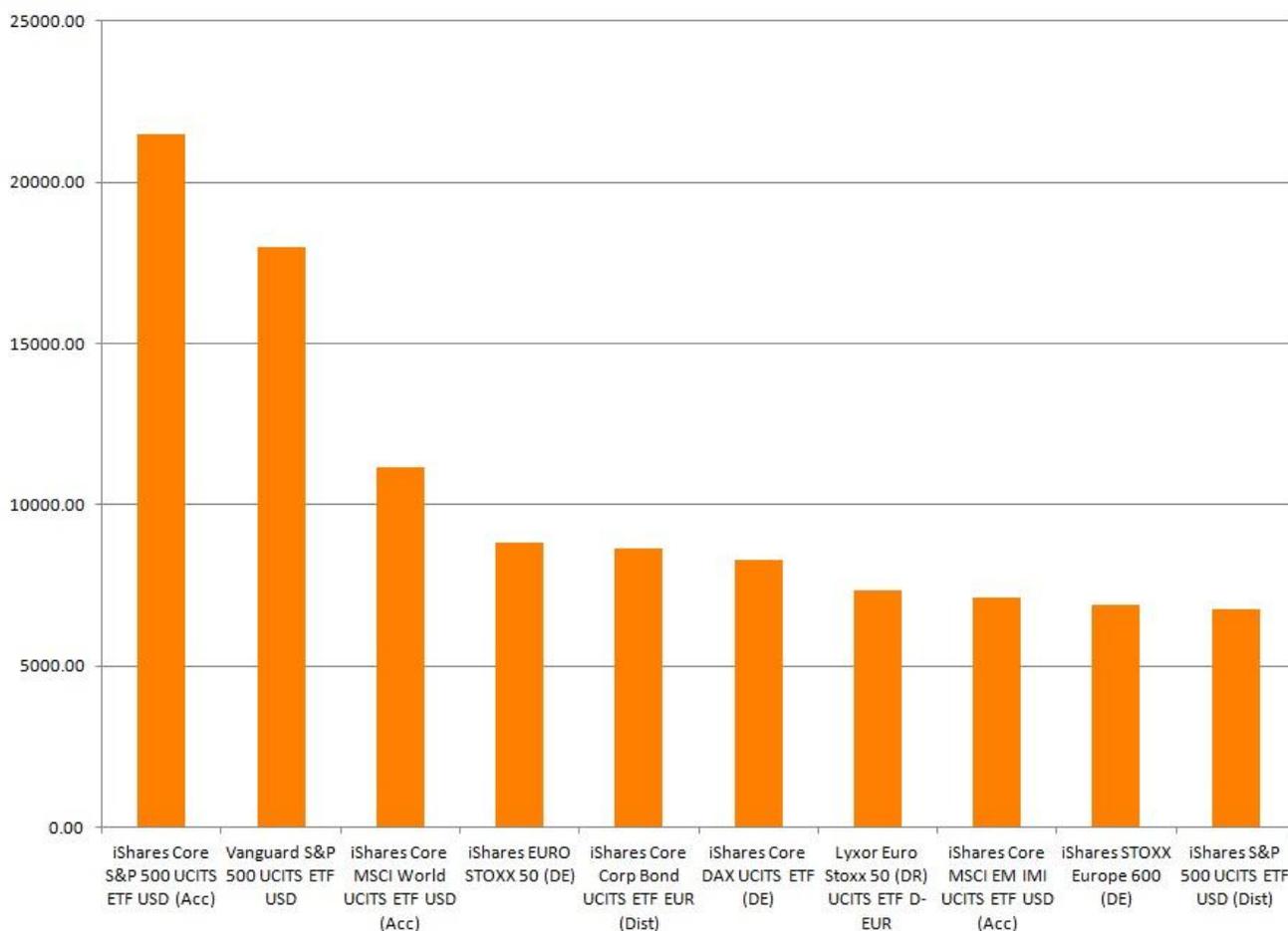


THOMSON REUTERS™

Assets Under Management by Funds

There were 2,320 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of December 2017. 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 145 of the 2,320 instruments held assets above €1.0 bn each. These products accounted for €383.8 bn or 60.80% of the overall assets in the European ETF industry. The ten largest ETFs in Europe accounted for €104.4 bn or 16.55% 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 10: Ten Largest ETFs by Assets Under Management, December 31, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

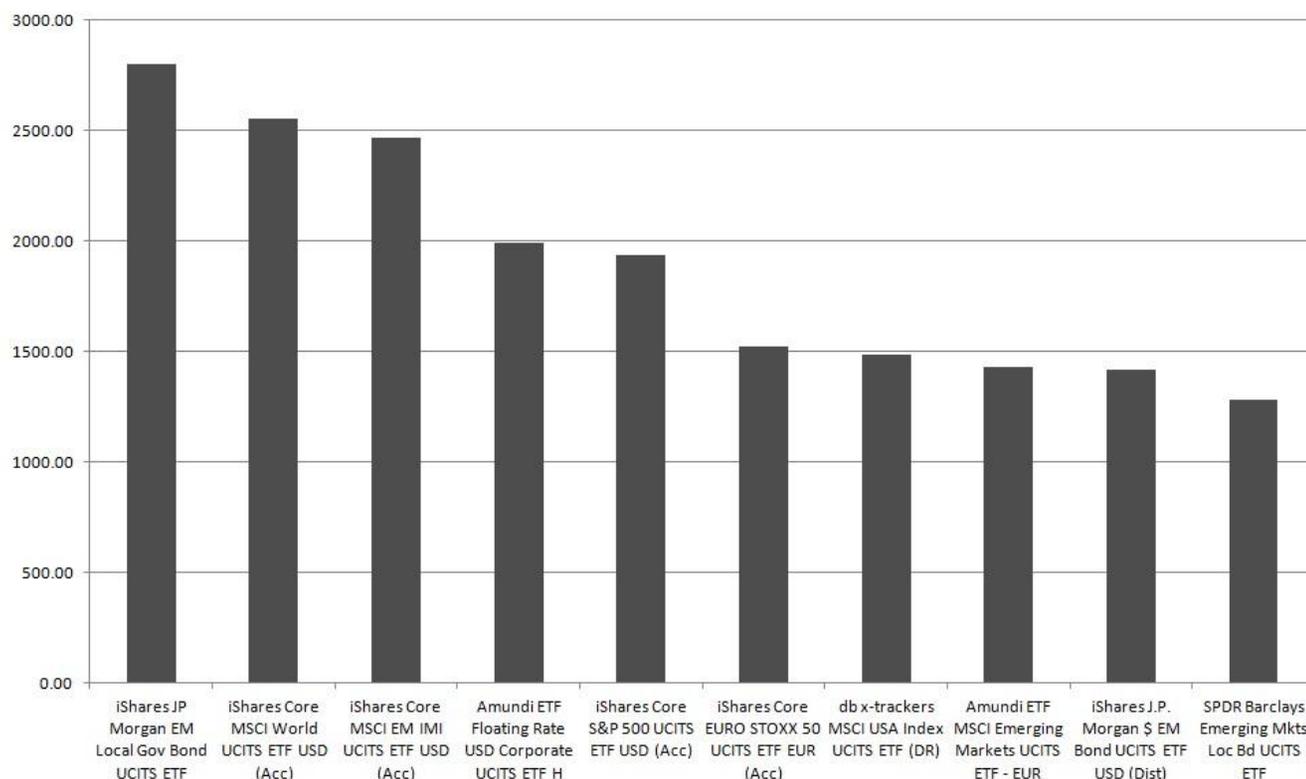


THOMSON REUTERS™

ETF Flows by Funds

A total of 1,224 of the 2,320 instruments analyzed in this report showed net inflows of more than €10,000 each for the year 2017, accounting for €128.7 bn or 136.53% of the overall net flows. This meant in turn that the other 1,096 instruments faced no flows or net outflows for the year. In more detail only 278 of the 1,224 ETFs posting net inflows enjoyed inflows of more than €100 m each over the course of 2017, summing to €107.9 bn. The best selling ETF for 2017, **iShares JP Morgan EM Local Government Bond UCITS ETF**, accounted for net inflows of €2.8 bn or 2.97% of the overall net inflows; it was followed by **iShares Core MSCI World UCITS ETF USD (Acc)** (+€2.6 bn) and **iShares Core MSCI EM IMI UCITS ETF USD (Acc)** (+€2.5 bn).

Graph 11: Ten Best Selling ETFs, 2017 (Euro Millions)



Source: Thomson Reuters Lipper

The flow pattern at the fund level showed the concentration even better than the statistics at the promoter or classification level. Overall, six of the ten best selling funds for 2017 were promoted by **iShares** and accounted for total net inflows of €12.7 bn or 13.47% of the total net inflows into the European ETF segment.

Compared to 2016, the estimated net sales at the fund level seemed to be less concentrated, which might have been caused by the generally positive market environment and the underlying trends in the markets.

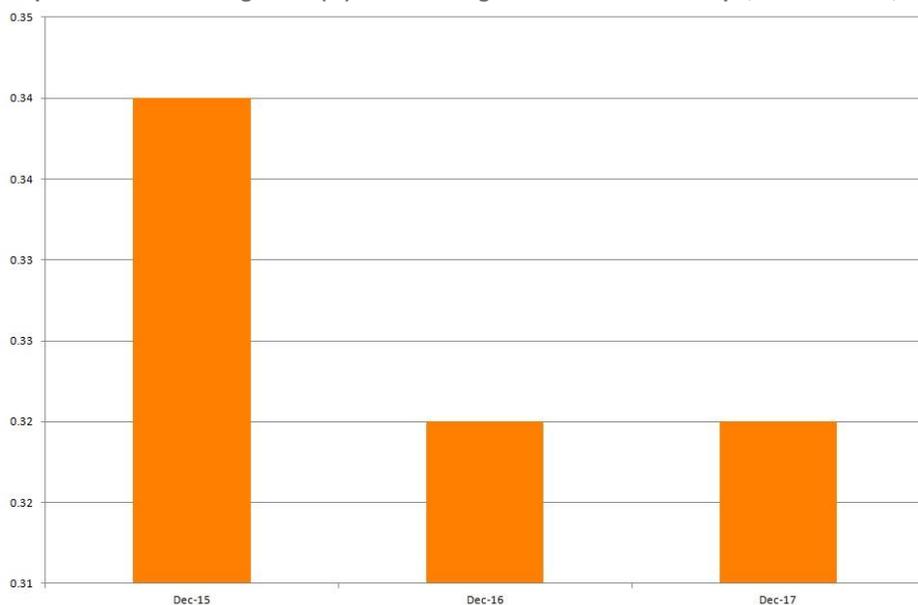


THOMSON REUTERS™

Developments in the Average Total Expense Ratio

The average total expense ratio stood at 0.32% on average at the end of December 2017. This was the same value as at the end of December 2016 and 2 basis points lower than the average TER at the end of 2015.

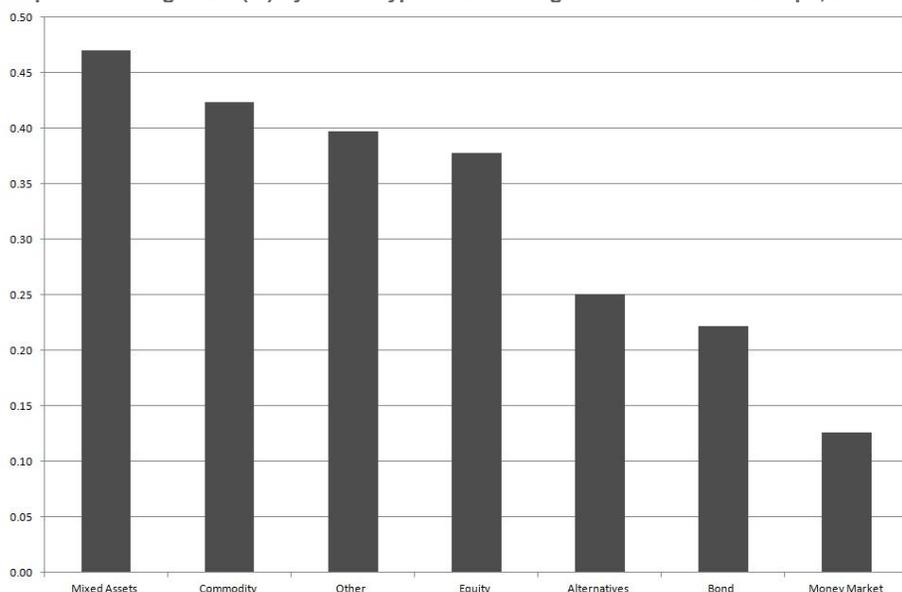
Graph 12: Overall Average TER (%) for ETFs Registered for Sale in Europe, December 31, 2017



Source: Thomson Reuters Lipper

The differences in the average TERs by asset type were quite large and became even larger if one takes the analysis down to the single-fund level. While mixed-asset ETFs (0.47%) were the most expensive asset type, money market ETFs had the lowest average TER (0.13%). With regard to the major asset classes it was noteworthy that the average TER for bond ETFs went up 1 basis point to 0.22% over the course of 2017, while the average TER for equity funds stood at the same level as in 2016 (0.38%).

Graph 13: Average TER (%) by Asset Type for ETFs Registered for Sale in Europe, December 31, 2017



Source: Thomson Reuters Lipper



THOMSON REUTERS™

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

Lipper Asia Client Services

+886 2 2500 4806
customers.reuters.com/crmcontactus/support.asp

lipperalpha.com

© 2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks and trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS™