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EUROPEAN ETF MARKET REPORT: July 2019

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 €15.4 bn for July.
- The assets under management in the European ETF industry (€772.8 bn) increased during July, up from €746.8 bn as of June 30, 2019.
- Equity ETFs (+€8.9 bn) posted the highest net inflows in the European ETF industry for July.
- The best-selling Lipper global classification for July was Equity Global (+€5.8 bn), followed by Bond USD (+€1.4 bn) and Bond EUR Corporates (+€1.3 bn).
- **iShares** was the best-selling ETF promoter in Europe for July (+€7.2 bn), well ahead of **UBS ETF** (+€4.6 bn) and **Invesco** (+€1.7 bn).
- The 10 best-selling funds gathered total net inflows of €9.3 bn for July.
- The best-selling ETF for July, **UBS ETFs plc - MSCI ACWI SF UCITS ETF (h USD) Aa**, accounted for net inflows of €1.4 bn, or 8.78%, of the overall net inflows.

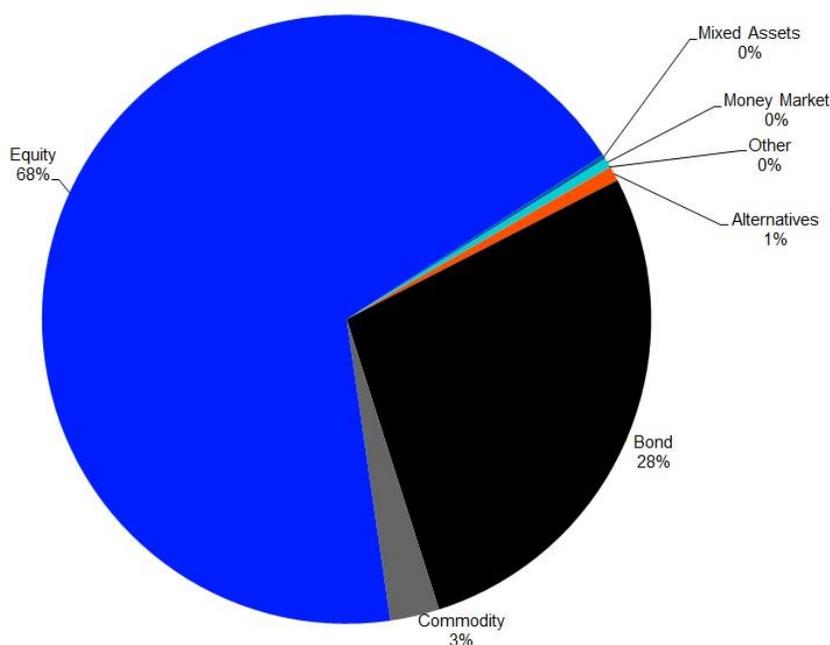
REVIEW OF THE EUROPEAN ETF MARKET, JULY 2019

The promoters of ETFs in Europe enjoyed net inflows for July. These led, in combination with the positive performance of the underlying markets, to an increase in assets under management in the European ETF industry. In more detail, the assets under management in the European ETF industry increased from €746.8 bn as of June 30, 2019, to €772.8 bn at the end of July. The increase of €26.0 bn for July was driven by net sales (+€15.4 bn), while the performance of the underlying markets contributed €10.6 bn to the growth in assets under management.

With regard to the overall number of products, it was not surprising equity funds (€527.38 bn) held the majority of assets, followed by bond funds (€213.6 bn), commodity products (€20.2 bn), alternative UCITS products (€6.1 bn), money market funds (€3.8 bn), mixed-assets funds (€1.8 bn), and “other” funds (€0.1 bn).

It is noteworthy that the shift in assets under management from “other” ETFs towards alternative UCITS ETFs has been caused by the launch of an extended Lipper Global Classification scheme and not by the transactions of investors.

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, July 31, 2019



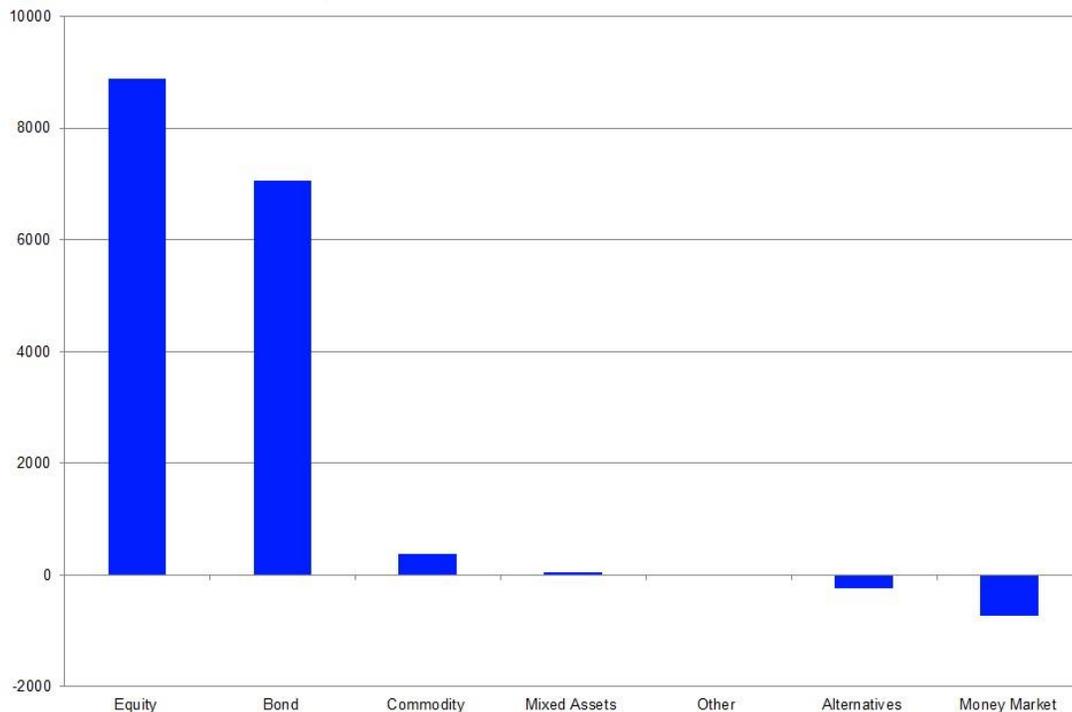
Source: Lipper from Refinitiv

Fund Flows by Asset Type

The level of estimated net inflows into ETFs stood below average for July. In more detail, the net inflows in the European ETF industry for July (+€154 bn) were way above the monthly rolling 12-month average (+€5.5 bn). The flows into ETFs were a sign that investors had returned to the markets despite worries about decreasing company earnings and an increased volatility in stock markets globally. Regarding this, it was somewhat surprising that equity ETFs were the asset type with the highest net inflows (+€8.9 bn), followed by bond ETFs (+€7.1 bn), commodity ETFs (+€0.4 bn) and mixed-assets ETFs (+€0.04 bn). Conversely, money market ETFs (-€0.7 bn) faced the highest outflows in the European ETF segment, bettered by alternative UCITS ETFs (-€0.2 bn) and “other” ETFs (-€0.01 bn).

This flow pattern drove the overall net flows to €51.5 bn for 2019.

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

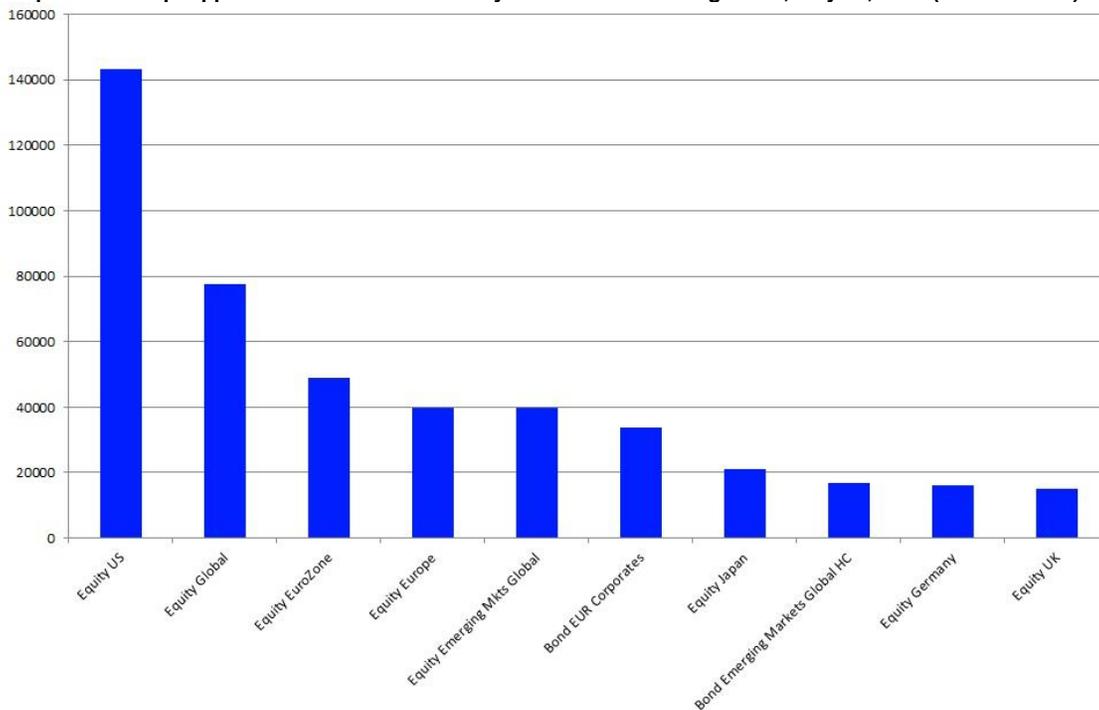


Source: Lipper from Refinitiv

Assets Under Management by Lipper Global Classifications

Regarding the Lipper global classifications, the European ETF market was split into 178 different peer groups. The highest assets under management at the end of July were held by funds classified as Equity US (€143.1 bn), followed by Equity Global (€77.5 bn), Equity Eurozone (€49.0 bn), Equity Europe (€39.8 bn), and Equity Emerging Markets Global (€39.7 bn). These five peer groups accounted for 45.17% of the overall assets under management in the European ETF segment, while the 10-top classifications by assets under management accounted for 58.49%. Overall, 18 of the 178 peer groups each accounted for more than 1% of assets under management. In total, these 18 peer groups accounted for €540.1 bn, or 69.88%, 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 changed again their position on the table. These numbers showed assets under management in the European ETF industry continued to be highly concentrated.

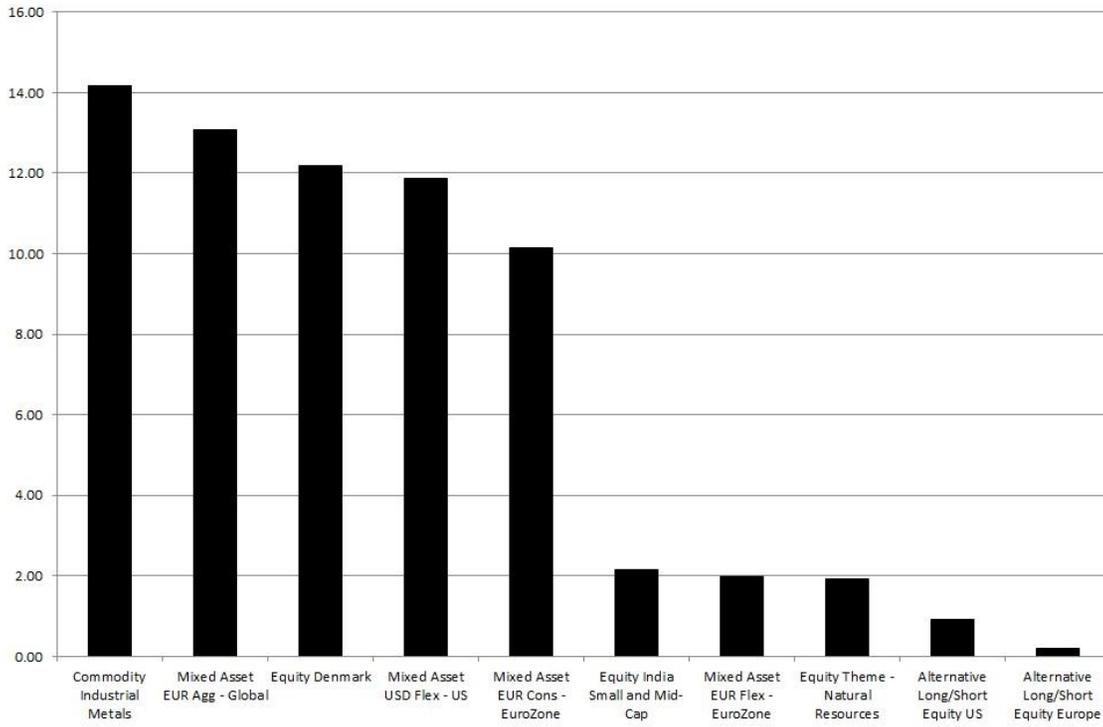
Graph 3: Ten-Top Lipper Global Classifications by Assets Under Management, July 31, 2019 (Euro Millions)



Source: Lipper from Refinitiv

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, July 31, 2019 (Euro Millions)



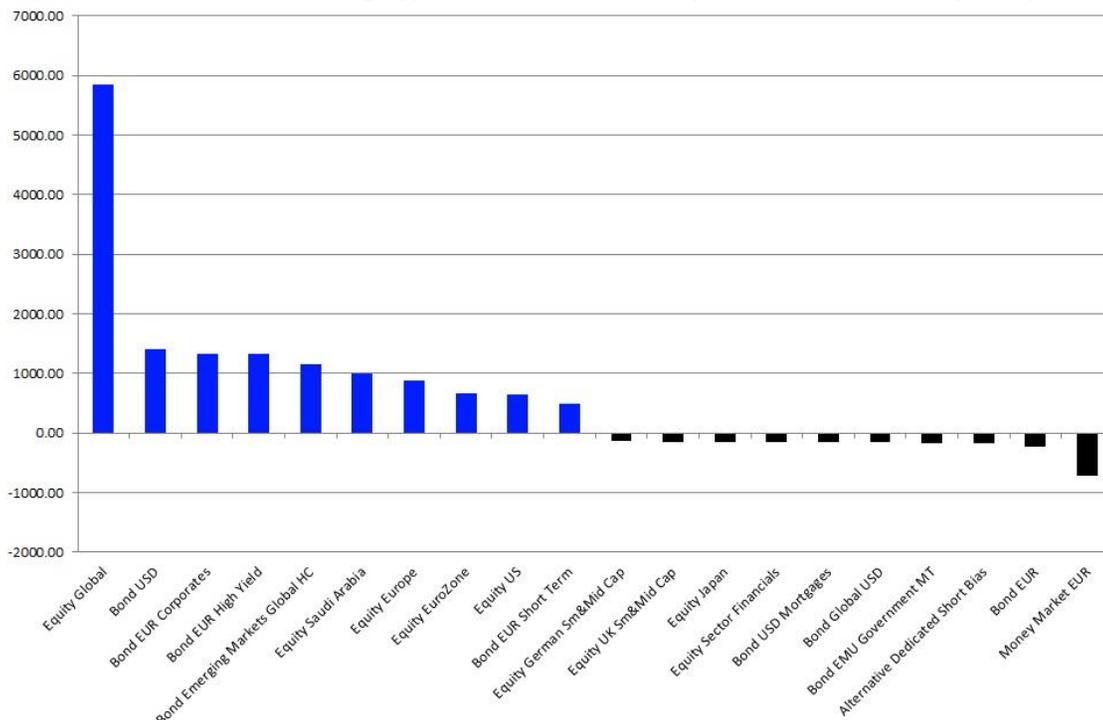
Source: Lipper from Refinitiv

Fund Flows by Lipper Global Classifications

With regard to the overall sales for July, it was not surprising equity funds (+€9.0 bn) dominated the table of the 10 best-selling peer groups by net flows, while the peer group count was equally split between bonds and equities. Accordingly, the best-selling Lipper global classification for July was Equity Global (+€5.8 bn), followed by Bond USD (+€1.4 bn) and Bond EUR Corporates (+€1.3 bn).

The net inflows of the 10 best-selling Lipper classifications equalled 95.59% of the overall net inflows. 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, July 2019 (Euro Millions)



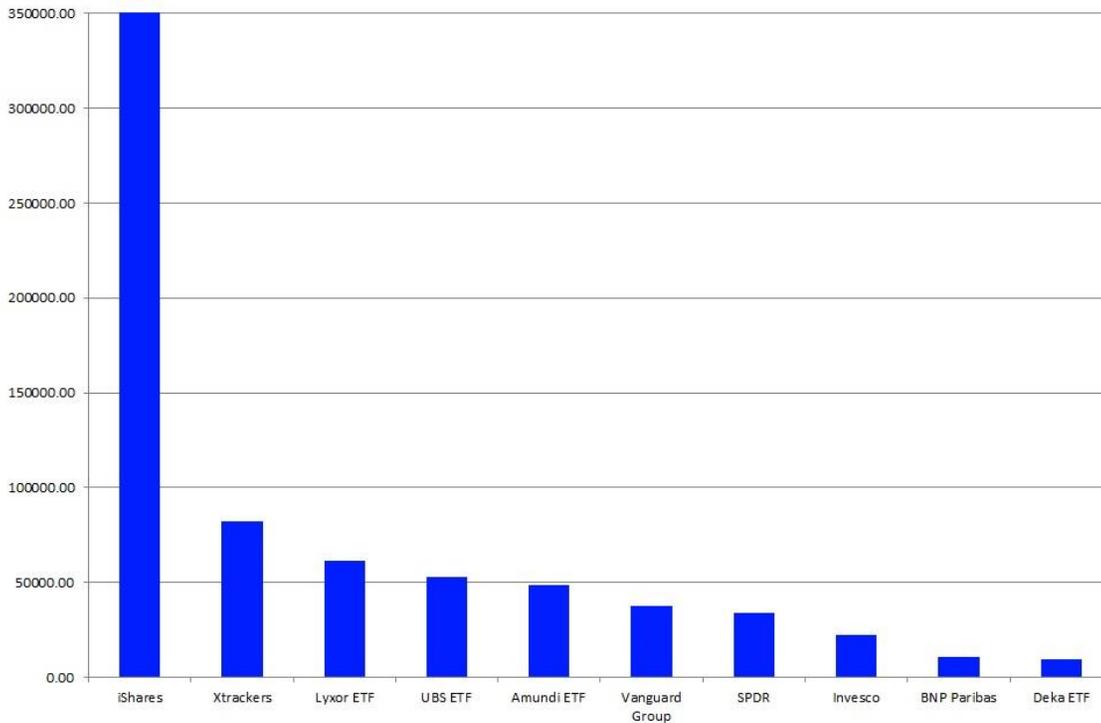
Source: Lipper from Refinitiv

On the other side of the table, the 10 peer groups with the highest net outflows for July accounted for €2.2 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 52 ETF promoters in Europe held assets at or above €1.0 bn. The largest ETF promoter in Europe—**iShares** (€360.0 bn)—accounted for 46.60% of the overall assets under management, far ahead of the number-two promoter—**Xtrackers** (€82.5 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, July 31, 2019 (Euro Millions)



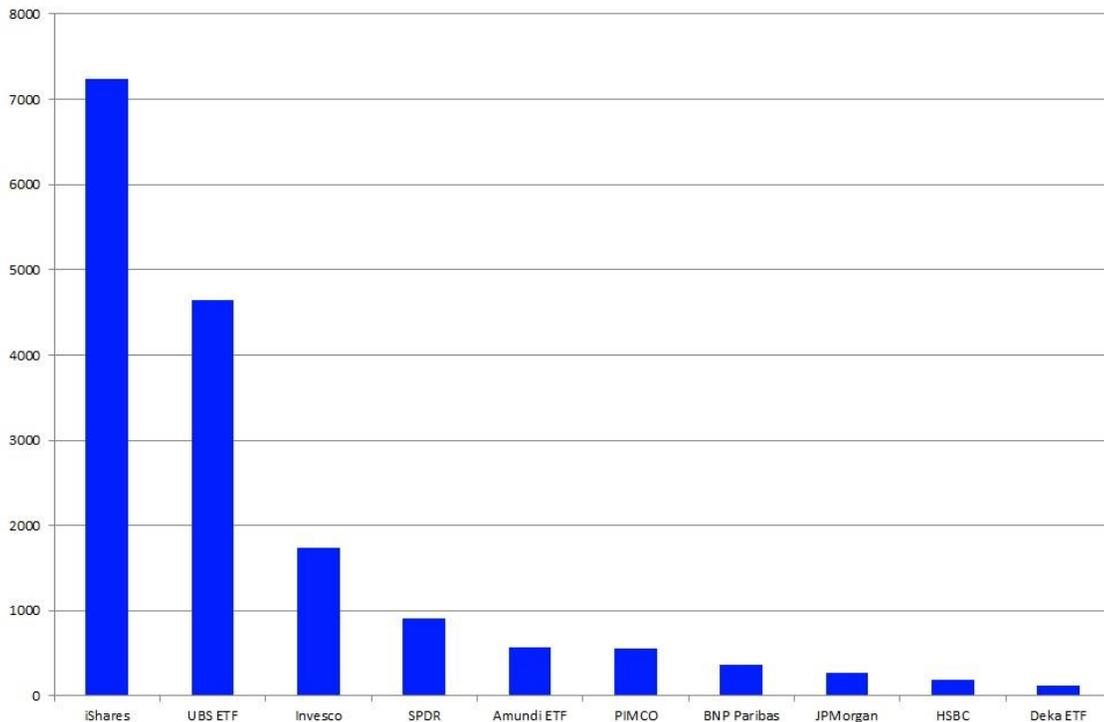
Source: Lipper from Refinitiv

The 10-top promoters accounted for 93.17% of the overall assets under management in the European ETF industry. This meant, in turn, the other 42 fund promoters registering at least one ETF for sale in Europe accounted for only 6.83% of the overall assets under management.

Fund Flows by Promoters

Since the European ETF market is highly concentrated, it was not surprising that seven of the 10 largest promoters by assets under management were among the 10-top selling ETF promoters for July. **iShares** was the best-selling ETF promoter in Europe for July (+€7.2 bn), well ahead of **UBS ETF** (+€4.6 bn) and **Invesco** (+€1.7 bn).

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



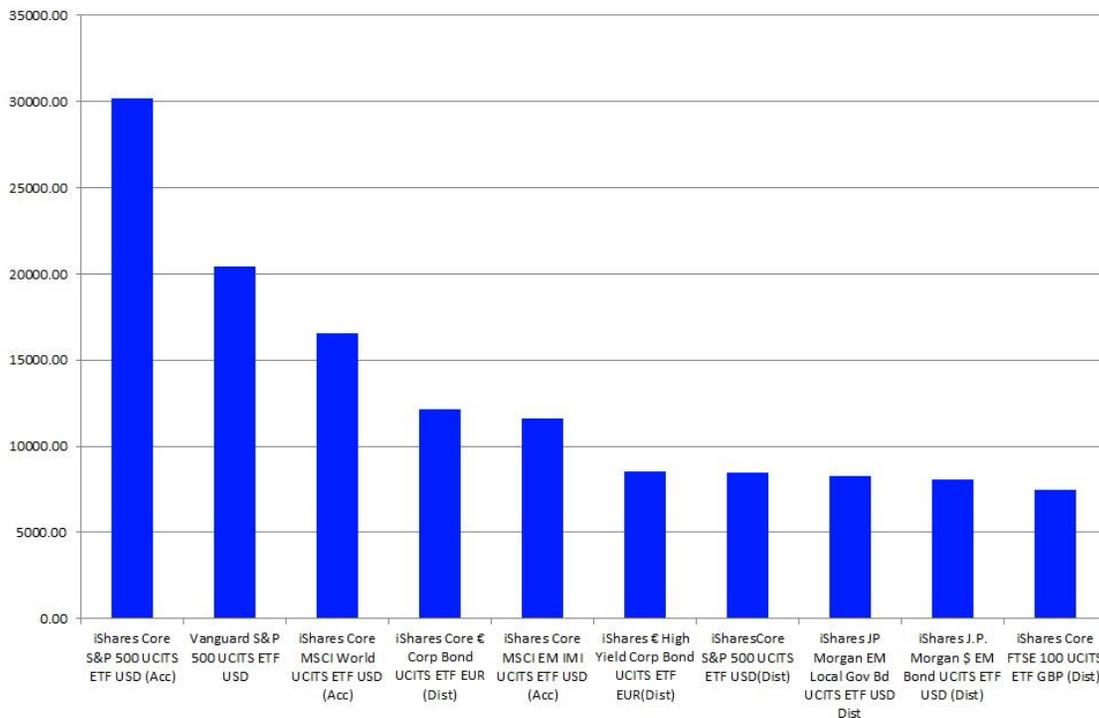
Source: Lipper from Refinitiv

Since the flows of the 10-top promoters accounted for 107.86% of the overall estimated net flows into ETFs in Europe for July, it was clear that some of the 52 promoters (18) faced net outflows (-€1.4 bn in total) over the course of the month.

Assets Under Management by Funds

There were 2,869 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of July. Regarding the overall market pattern, it was not surprising the assets under management at the ETF level were also highly concentrated. Only 172 of the 2,869 instruments held assets above €1.0 bn each. These products accounted for €476.0 bn, or 61.59%, of the overall assets in the European ETF industry. The 10 largest ETFs in Europe accounted for €131.7 bn, or 17.04%, 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, July 31, 2019 (Euro Millions)

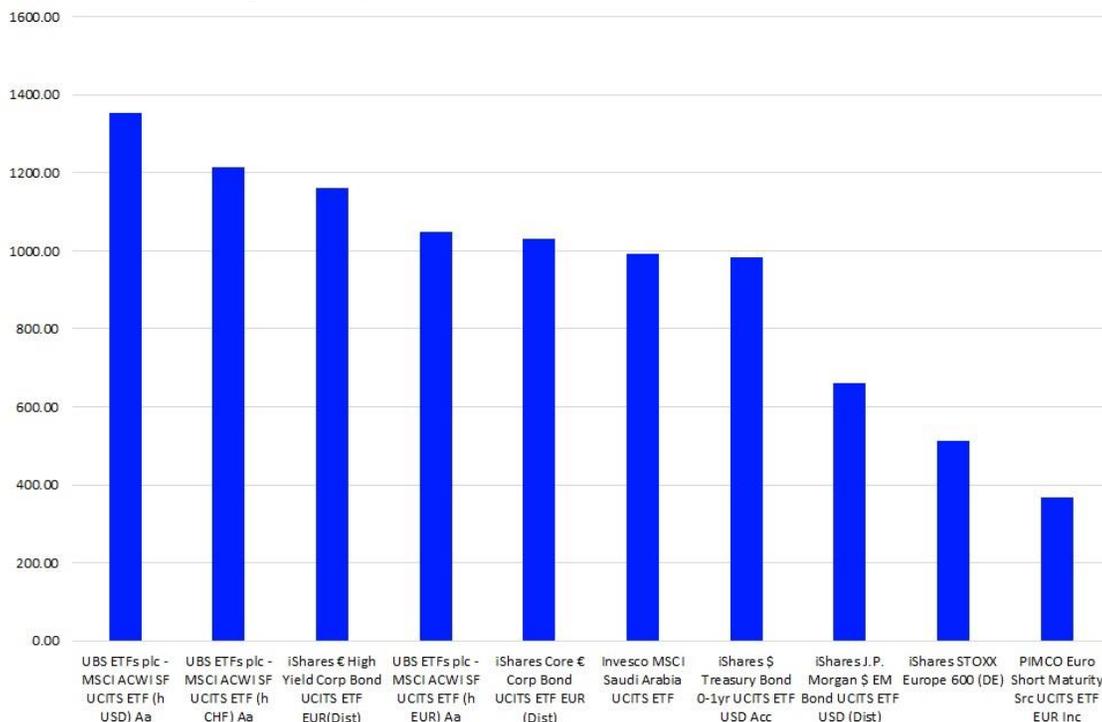


Source: Lipper from Refinitiv

ETF Flows by Funds

A total of 933 of the 2,869 instruments analyzed in this report showed net inflows of more than €10,000 each for July, accounting for €28.4 bn, or 184.35%, of the overall net flows. This meant the other 1,936 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 54 of the 933 ETFs posting net inflows enjoyed inflows of more than €100 m during July—for a total of €16.7 bn. The best-selling ETF for July, **UBS ETFs plc - MSCI ACWI SF UCITS ETF (h USD) Aa**, accounted for net inflows of €1.4 bn, or 8.78%, of the overall net inflows. It was followed by **UBS ETFs plc - MSCI ACWI SF UCITS ETF (h CHF) Aai** (+€1.2 bn) and **iShares € High Yield Corp Bond UCITS ETF EUR c (Dist)** (+€1.2 bn).

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



Source: Lipper from Refinitiv

The flow pattern at the fund level indicated there was a lot of turnover and rotation during July, 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 five of the 10 best-selling funds for July were promoted by **iShares**. This accounted for total net inflows of €4.3 bn, or 28.21%, of the net inflows into the European ETF segment.

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