

BLACKROCK GLOBAL ETP LANDSCAPE

DECEMBER 2015

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Summary

BlackRock ETP Research

A cross-regional team analyzing global markets to deliver insights on the intersection of investment trends and ETP flows

For inquiries, please email ETPresearch@BlackRock.com

GLOBAL ETPs SET A NEW FLOWS RECORD IN 2015, POSTING ANOTHER YEAR OF DOUBLE DIGIT ORGANIC GROWTH

- ▶ Global ETP flows of \$350.9bn represented 13% organic growth and exceeded last year's record of \$330.6bn thanks to new highs for both non-U.S. developed markets equity and fixed income
- ▶ Non-U.S. developed markets equity flows more than doubled to \$200.1bn, largely concentrated in Europe, Japan and EAFE exposures, which all set new records driven by attractive relative valuations
- ▶ Fixed income flows of \$93.5bn broke the annual record set in 2014, paced by a strong secular adoption trend and boosted by renewed appetite for safer investments during the heightened volatility from August through October
- ▶ Currency-hedged equity gathered \$52.4bn and smart beta equity added \$29.3bn, together representing a third of all equity flows versus 25% last year

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Global ETP Highlights

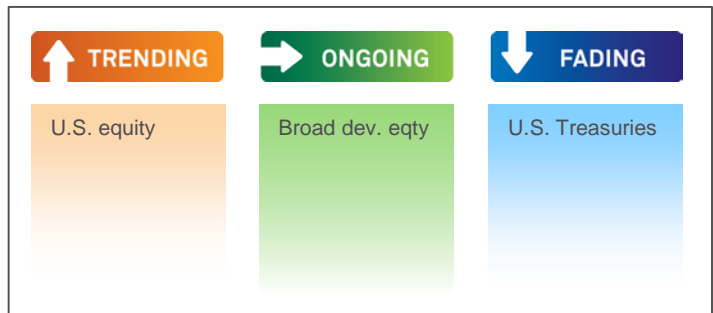
December flows of \$52.0bn were the best of the year, leading global ETP flows to close 2015 with a record \$350.9bn. The industry achieved organic growth of 13% this year thanks to increasing fixed income adoption and record results for non-U.S. developed markets flows as investors looked outside the U.S. for better returns.

The unprecedented results came despite more moderate flows for US equities, which make up just under half of all assets. 2015 highlighted not only the long term growth trajectory for global ETPs, but also the diversification by geographic exposure and the ability to adapt quickly to shifting market sentiment.

Fixed income flows of \$93.5bn represented 22% organic growth and eclipsed the record set in 2014, despite concerns over the impact of the Fed interest rate increase that finally materialized in December. Fixed income accounted for 27% of global ETP flows this year, including 24% in the US, 37% in Europe and 30% in Canada (see below). Flows picked up in the months following the market turmoil at the end of August as investors became more risk averse. By maturity, three-quarters of 2015 flows by were focused at the longer end of the spectrum.

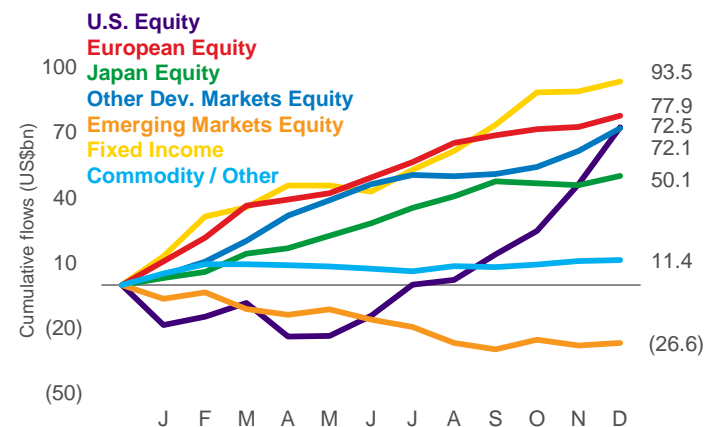
Non-U.S. developed markets equities brought in \$200.1bn to shatter the previous best of \$110.1bn from 2013. Nearly two-thirds came in the first half, led by currency-hedged funds. The currency-hedged flows of \$52.4bn slowed notably later in the year as dollar strengthening eased from Q1.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

2015 flows: \$350.9bn

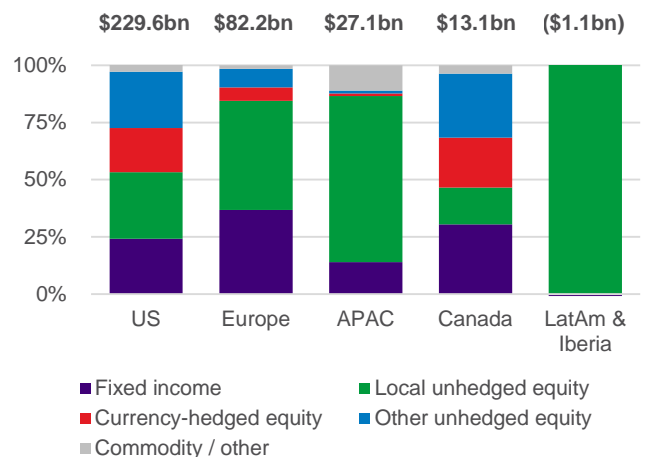


SPOTLIGHT ON 2015 LISTING REGION FLOWS

The new high for global ETP flows in 2015 included strong results across multiple listing regions:

- ▶ U.S. flows of \$229.6bn nearly reached the \$244.9bn from 2014 and included a record \$100.9bn from non-U.S. equity exposures, split between hedged and unhedged funds
- ▶ Europe flows totaled \$82.2bn, setting a new record overall as well as for both equity with \$50.6bn and fixed income with \$30.3bn
- ▶ APAC flows of \$27.1bn were close to the 2012 record of \$30.6bn, with a new high for Japan equity of \$37.2bn offset by China equity redemptions of (\$21.7bn)
- ▶ Canada flows rebounded to a record \$13.1bn, led by fixed income with \$4.0bn and smart beta with \$2.8bn
- ▶ Locally-listed Latin America & Iberia ETPs posted outflows of (\$1.1bn), though they moderated from last year

2015 LISTING REGION FLOWS BY EXPOSURE



Global ETP Highlights (cont'd)

Overall, 80% of non-U.S. developed markets equity flows were in three categories, broad Europe (\$65.8bn), Japan (\$50.1bn), and EAFE (\$45.0bn), all of which set new records.

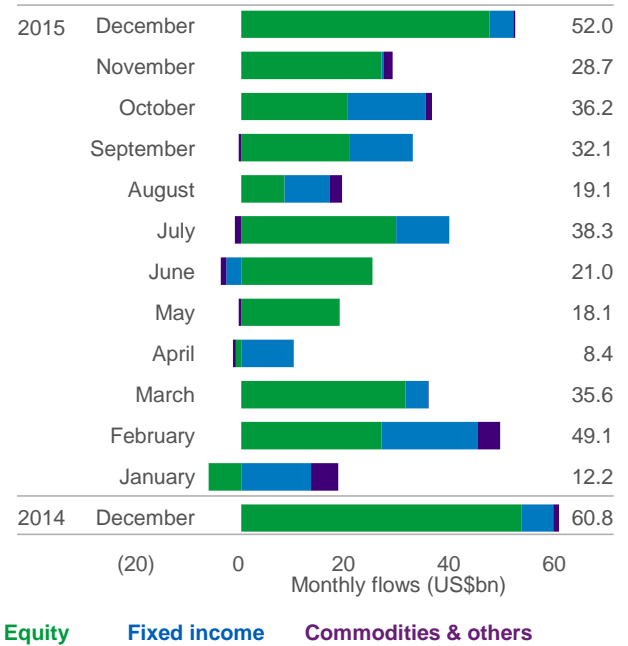
Smart beta contributed \$29.6bn to global ETP flows. Growth slowed during the market correction in August, but then reaccelerated. Flows this year were two-thirds of the 2014 total, but this was due to flat results for dividend funds compared to \$17.4bn last year. Excluding dividend funds, flows of \$28.0bn were even with last year on strength for minimum volatility and factor funds.

U.S. equity flows of \$72.5bn slowed significantly versus 2014. Results would have exceeded \$100bn were it not for the largest fund in the category experiencing heavy outflows, the majority of which came at the hands of non-U.S. investors during the first half of the year. While the S&P 500 index was flat in 2015, flows for ETPs with U.S. equity exposure excluding the fund mentioned above were steady throughout the year and picked up as the market rallied following the correction in August.

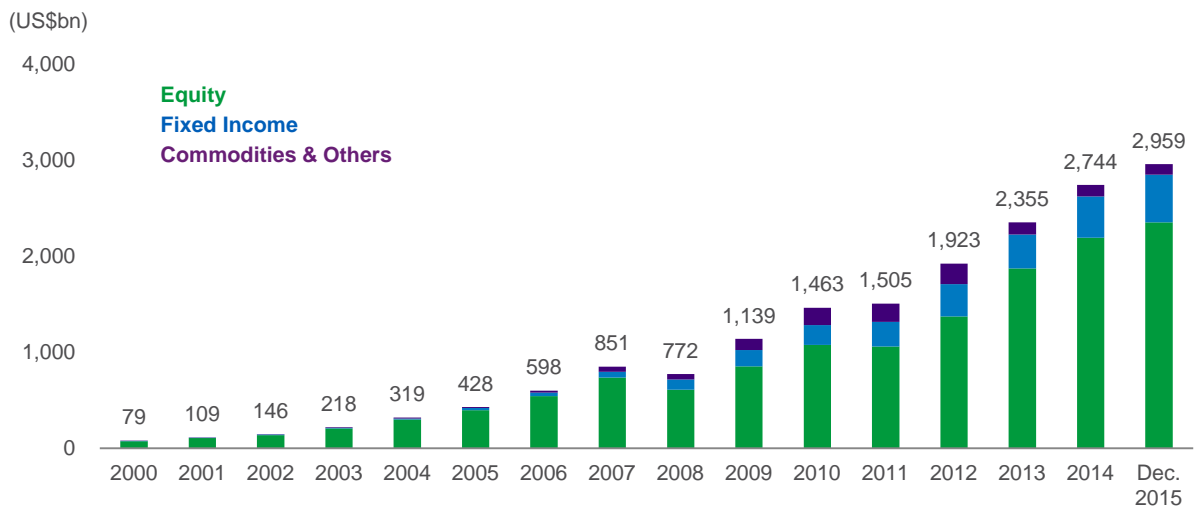
While EM equity ETP growth has yet to recover following the taper tantrum in 2013, there were still pockets of growth in 2015. Excluding heavy outflows for the two largest funds, broad EM equity ETPs gathered \$7.2bn, driven by low-cost core and minimum volatility strategies. Country fund outflows of (\$24.0bn) were focused in a handful of locally-listed China A-shares funds, while China H-shares, India and Taiwan combined for inflows of \$10.8bn.

RESULTS AT A GLANCE¹

| (US\$bn) | December 2015 | December 2014 |
|---------------------------|---------------|---------------|
| Monthly flows | 52.0 | 60.8 |
| Year-to-date flows | 350.9 | 330.6 |
| Assets | 2,959 | 2,744 |
| # of ETPs | 5,449 | 5,054 |



GLOBAL ETP ASSETS¹



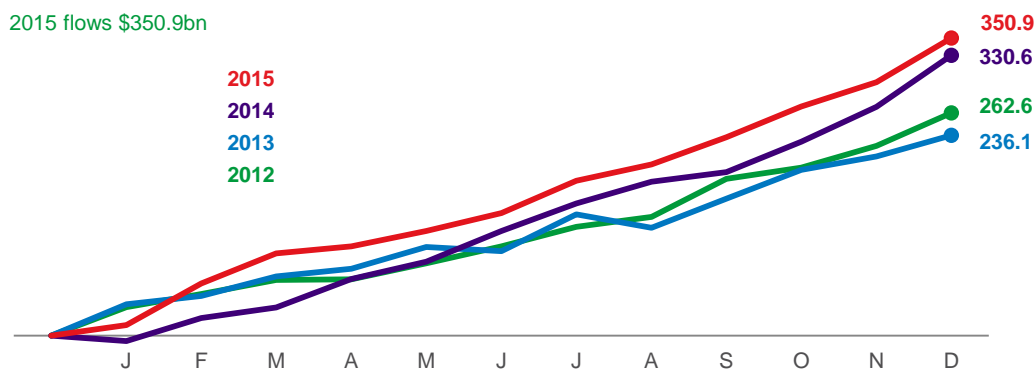
Year-to-date Overview

GLOBAL ETP FLOWS BY EXPOSURE¹

| (US\$bn) | | Annual 2015 | Annual 2014 | Annual 2013 |
|----------------------|----------------------------|--------------|--------------|--------------|
| Equity | Developed Markets Equity | 272.6 | 243.9 | 258.4 |
| | Emerging Markets Equity | (26.6) | (1.8) | (10.3) |
| | Total | 246.0 | 242.1 | 248.1 |
| Fixed Income | Government | 17.7 | 19.5 | 7.5 |
| | Investment Grade Corporate | 24.3 | 22.4 | 1.2 |
| | High Yield Corporate | 8.6 | 3.8 | 6.7 |
| | Others | 42.9 | 40.0 | 11.7 |
| | Total | 93.5 | 85.8 | 27.0 |
| Commodities & Others | Total | 11.4 | 2.6 | (39.1) |
| Grand Total | | 350.9 | 330.6 | 236.1 |

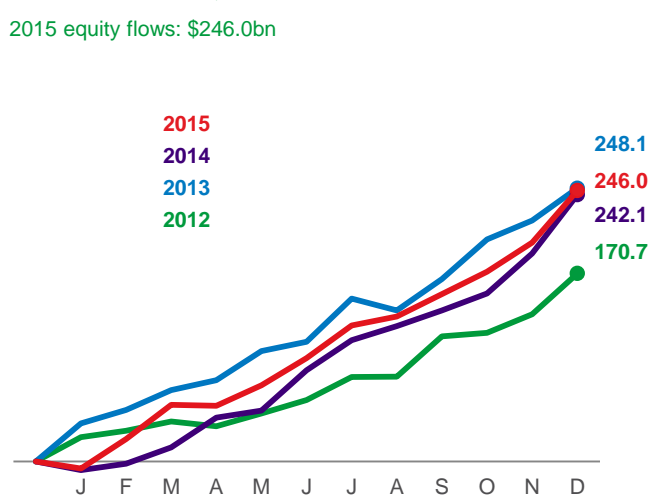
CUMULATIVE ETP FLOWS¹

2015 flows \$350.9bn



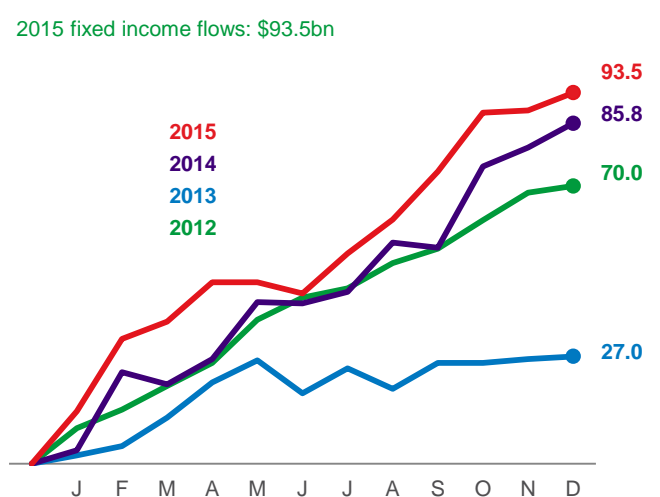
CUMULATIVE EQUITY ETP FLOWS¹

2015 equity flows: \$246.0bn



CUMULATIVE FIXED INCOME ETP FLOWS¹

2015 fixed income flows: \$93.5bn

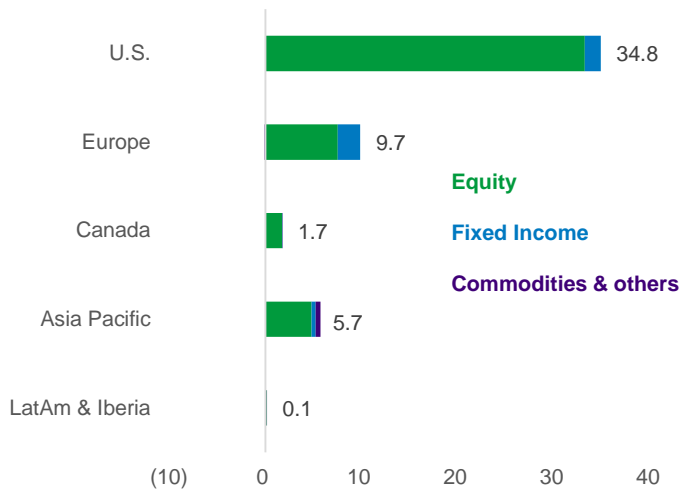


Flows By Listing Region

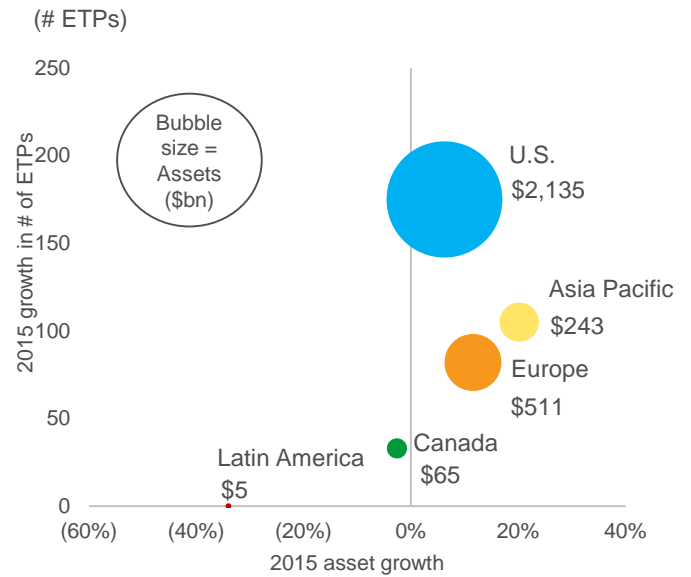
Highlights (US\$):¹

- ▶ U.S.-listed products led all regions with \$32.8bn in December, 77% of which came from U.S. equity exposures
- ▶ Europe-listed ETPs brought in \$9.7bn led by the best broad European equity flows since August
- ▶ Canada-listed ETPs gathered \$1.7bn and have now experienced inflows for 23 months in a row
- ▶ Asia Pacific-listed ETP flows rose to \$5.7bn from outflows the prior month due to a sharp turnaround for Japanese equity funds

MONTH-TO-DATE FLOWS BY LISTING REGION¹



ASSET GROWTH RATES AND # OF ETPs¹



LISTING REGION VIEW¹

| (US\$bn) | MTD Flows | 2015 Flows | Share of Flows | Current Assets | Share of Assets |
|-------------------------|-------------|--------------|----------------|----------------|-----------------|
| US | 34.8 | 229.6 | 65.4% | 2,135.1 | 72.1% |
| Europe | 9.7 | 82.2 | 23.4% | 510.9 | 17.3% |
| Canada | 1.7 | 13.1 | 3.7% | 64.8 | 2.2% |
| Asia Pacific | 5.7 | 27.1 | 7.7% | 243.4 | 8.2% |
| Latin America & Iberia | 0.1 | (1.1) | (0.3%) | 5.1 | 0.2% |
| Global ETP Total | 52.0 | 350.9 | 100.0% | 2,959.3 | 100.0% |

ETP Flows by Exposure

| (US\$bn) | | MTD Flows | 2015 Flows | Current Assets |
|--------------------|-------------------------|-----------------------|--------------|----------------|
| Equity | US | 26.2 | 72.5 | 1,327.3 |
| | Broad Developed Markets | 7.9 | 66.0 | 295.5 |
| | Europe | 5.2 | 77.9 | 260.2 |
| | Asia-Pacific | 5.3 | 54.2 | 236.8 |
| | Canada | 1.4 | 1.9 | 25.9 |
| | Developed Equity | 46.0 | 272.6 | 2,145.7 |
| | Single Country | (0.6) | (24.0) | 113.2 |
| | Broad | 1.8 | (2.1) | 91.8 |
| | Regional | 0.0 | (0.5) | 4.5 |
| | Emerging Markets Equity | 1.2 | (26.6) | 209.5 |
| | Equity Total | 47.2 | 246.0 | 2,355.2 |
| | Fixed Income | Investment Grade Corp | 2.1 | 24.3 |
| Broad | | 1.3 | 17.0 | 79.9 |
| U.S. Government | | (0.4) | 9.6 | 54.0 |
| HY Corp | | (1.6) | 8.6 | 47.8 |
| Sovereign | | 0.6 | 8.1 | 48.3 |
| Municipal | | 0.5 | 4.1 | 19.4 |
| Other Fixed Income | | 1.9 | 21.7 | 130.5 |
| Fixed Income Total | | 4.5 | 93.5 | 497.0 |
| Commodities | Gold | (0.8) | (3.5) | 48.9 |
| | Energy | 1.6 | 13.7 | 13.6 |
| | Silver | 0.0 | (0.2) | 7.5 |
| | Agriculture | (0.4) | (0.5) | 3.4 |
| | Other Precious Metals | 0.0 | (0.3) | 2.6 |
| | Other Commodities | (0.1) | (0.4) | 11.6 |
| | Commodities Total | 0.2 | 8.8 | 87.7 |
| Asset Allocation | | 0.7 | 1.8 | 7.5 |
| Alternatives | | 0.1 | 0.9 | 7.3 |
| Currency | | (0.5) | (0.1) | 4.6 |
| Grand Total | | 52.0 | 350.9 | 2,959.3 |

Endnotes

The ETP (or exchange traded product) category encompasses any portfolio exposure security that trades intra-day on an exchange. The data for this report are captured from a number of sources by BlackRock, including provider websites, fund prospectuses, provider press releases, provider surveys, Bloomberg, the National Stock Exchange, Strategic Insight Simfund, and Wind. All amounts are reported in US dollars. Flows are derived using daily net asset values and shares outstanding using the most recent data we can capture at month-end. For products with cross-listings, we attribute net flows and assets to the primary listings. For Middle East and Africa, assets and net flows data is not available. Assets are derived using shares outstanding and prices at the end of each month (or the closest date available). Where price is not available, we use an approximation. Product level information is aggregated by provider, asset class, exposure, and listing region to produce the various analyses in the report.

1. Data is as of December 30, 2015 for Europe and December 31, 2015 for the US, Canada, Latin America, and some Asia ETPs. Global ETP flows and assets are sourced using shares outstanding and net asset values from Bloomberg, as well as BlackRock internal sources, for the US, Canada, Europe, Latin America and some ETPs in Asia. For Middle East and Africa, assets and net flows data is not available. Inflows for years prior to 2010 are sourced from Strategic Insights Simfund. Asset classifications are assigned by BlackRock based on product definitions from provider websites and product prospectuses. Other static product information is obtained from provider websites, product prospectuses, provider press releases, and provider surveys. Market returns are sourced from Bloomberg.

Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

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