



REFINITIV

EUROPEAN ETF MARKET REPORT: August 2019

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

EXECUTIVE SUMMARY

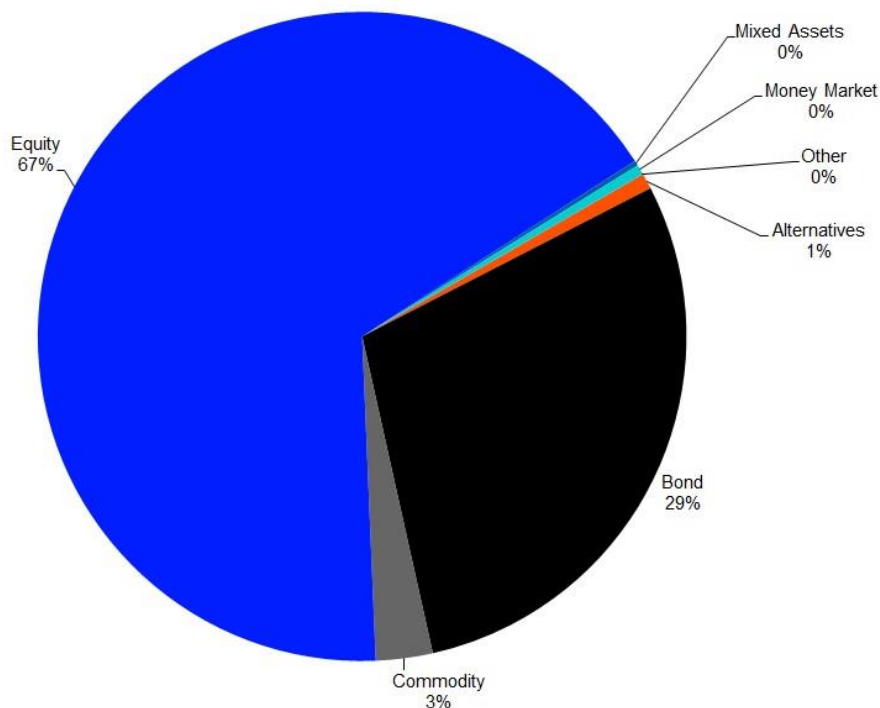
- The promoters of ETFs faced net outflows of €8.8 bn for August.
- The assets under management in the European ETF industry (€757.0 bn) increased during August, up from €772.8 bn as of July 31, 2019.
- Bond ETFs (+€3.3 bn) posted the highest net inflows in the European ETF industry for August.
- The best-selling Lipper global classification for August was Bond EMU Government (+€1.1 bn), followed by Bond USD High Yield (+€0.7 bn) and Bond Global Corporates USD (+€0.6 bn).
- **iShares** was the best-selling ETF promoter in Europe for August (+€1.2 bn), ahead of **Vanguard Group** (+€1.1 bn) and **BNP Paribas** (+€0.4 bn).
- The 10 best-selling funds gathered total net inflows of €4.1 bn for August.
- The best-selling ETF for August, **iShares \$ HighYield Corp Bond UCITS ETF USD Dist**, accounted for net inflows of €0.6 bn.

REVIEW OF THE EUROPEAN ETF MARKET, AUGUST 2019

The promoters of ETFs in Europe faced in August the first net outflows since February 2016. These led, in combination with the negative performance of the underlying markets, to a decrease in assets under management in the European ETF industry. In more detail, the assets under management in the European ETF industry decreased from €772.8 bn as of July 30, 2019, to €757.0 bn at the end of August. The decrease of €15.9 bn for August was driven by net outflows (-€8.8 bn), while the performance of the underlying markets contributed €7.0 bn to the outflows in assets under management.

With regard to the overall number of products, it was not surprising equity funds (€504.0 bn) held the majority of assets, followed by bond funds (€219.9 bn), commodity products (€21.4 bn), alternative UCITS products (€5.9 bn), money market funds (€3.7 bn), mixed-assets funds (€1.9 bn), and “other” funds (€0.1 bn).

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, August 30, 2019



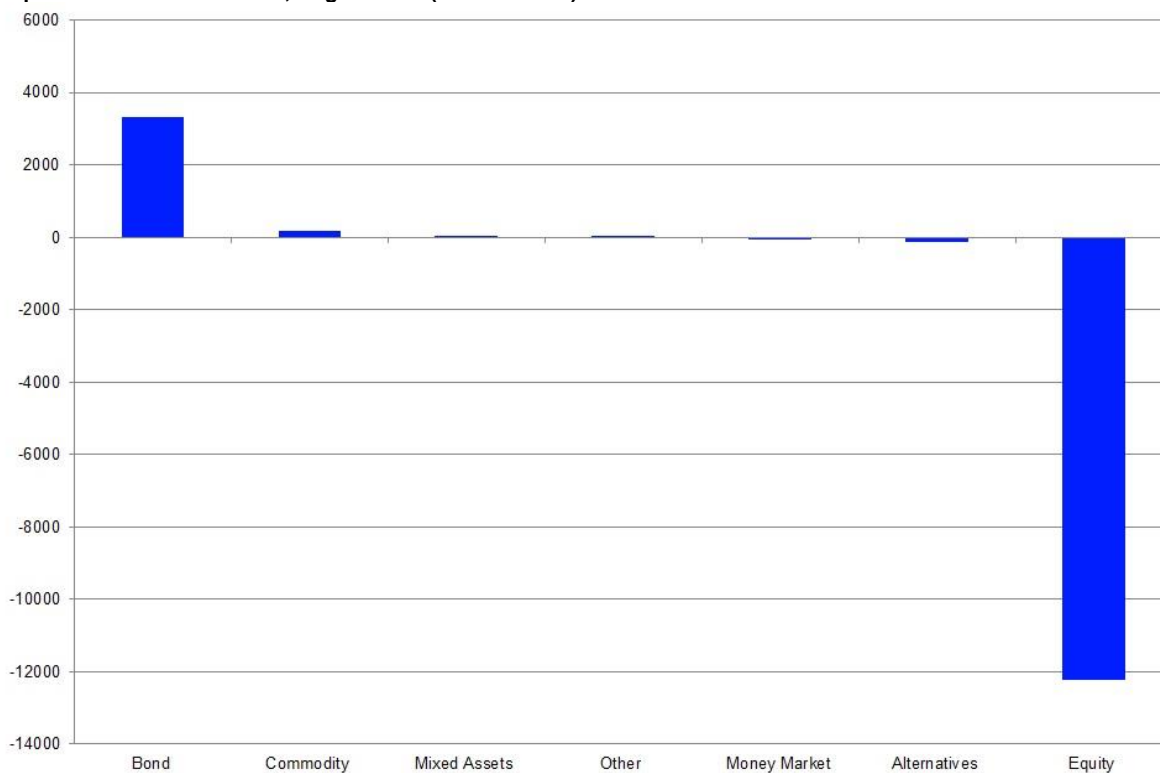
Source: Lipper from Refinitiv

Fund Flows by Asset Type

Since the European ETF industry in August faced outflows for the first time since February 2016, it is clear that the level of estimated net flows into ETFs stood below average for the month. In more detail, the net outflows in the European ETF industry for August (-€8.8 bn) dragged the monthly rolling 12-month average down to €4.6 bn from €5.5 bn in July 2019. As the outflows from ETFs were driven by equity funds, these flows could be seen as a sign that investor concerns have materialized about decreasing company earnings, an increased volatility in stock markets globally, a new crisis in the Persian Gulf region, and a new stage in the trade war between China and the U.S., as well as a possible hard Brexit. That said, it was to be expected that bond ETFs were the asset type with the highest net inflows (+€3.3 bn), followed by commodity ETFs (+€0.2 bn), mixed-assets ETFs (+€0.1 bn), and 'other' ETFs (+€0.002 bn). Conversely, equity ETFs (-€12.2 bn) faced the highest outflows in the European ETF segment, bettered by alternative UCITS ETFs (-€0.1 bn) and money market ETFs (-€0.1 bn).

This flow pattern drove the overall net flows to €42.8 bn for 2019.

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

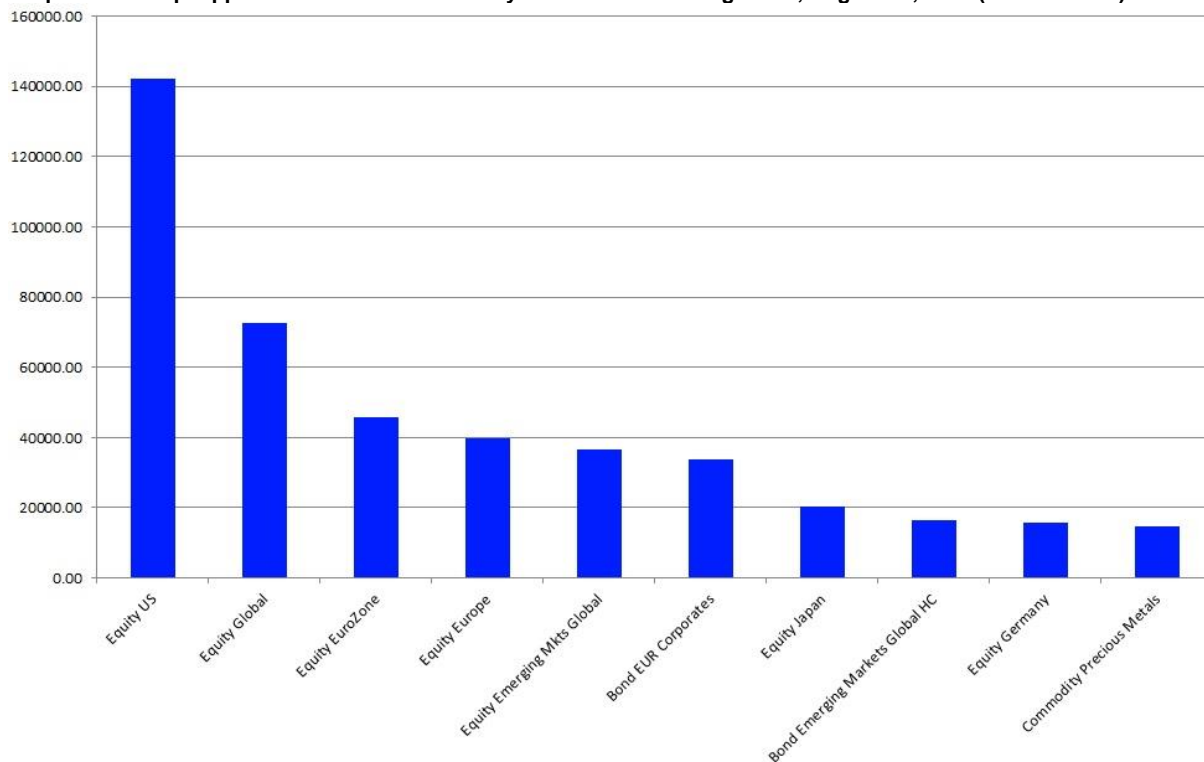


Source: Lipper from Refinitiv

Assets Under Management by Lipper Global Classifications

Regarding the Lipper global classifications, the European ETF market was split into 179 different peer groups. The highest assets under management at the end of August were held by funds classified as Equity U.S. (€142.2 bn), followed by Equity Global (€72.8 bn), Equity Eurozone (€45.8 bn), Equity Europe (€39.8 bn), and Equity Emerging Markets Global (€36.4 bn). These five peer groups accounted for 44.51% of the overall assets under management in the European ETF segment, while the 10-top classifications by assets under management accounted for 57.86%. Overall, 19 of the 179 peer groups each accounted for more than 1% of assets under management. In total, these 19 peer groups accounted for €536.9 bn, or 70.93%, 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.

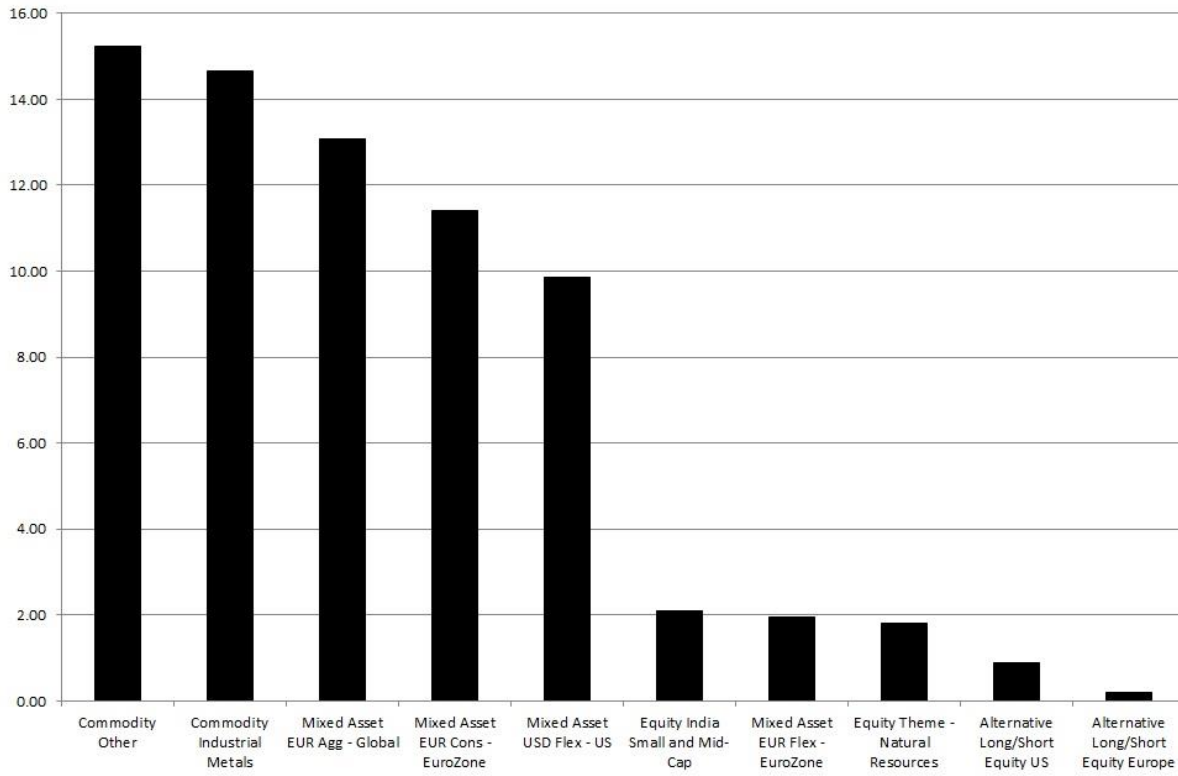
Graph 3: Ten-Top Lipper Global Classifications by Assets Under Management, August 30, 2019 (Euro Millions)



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, August 30, 2019 (Euro Millions)



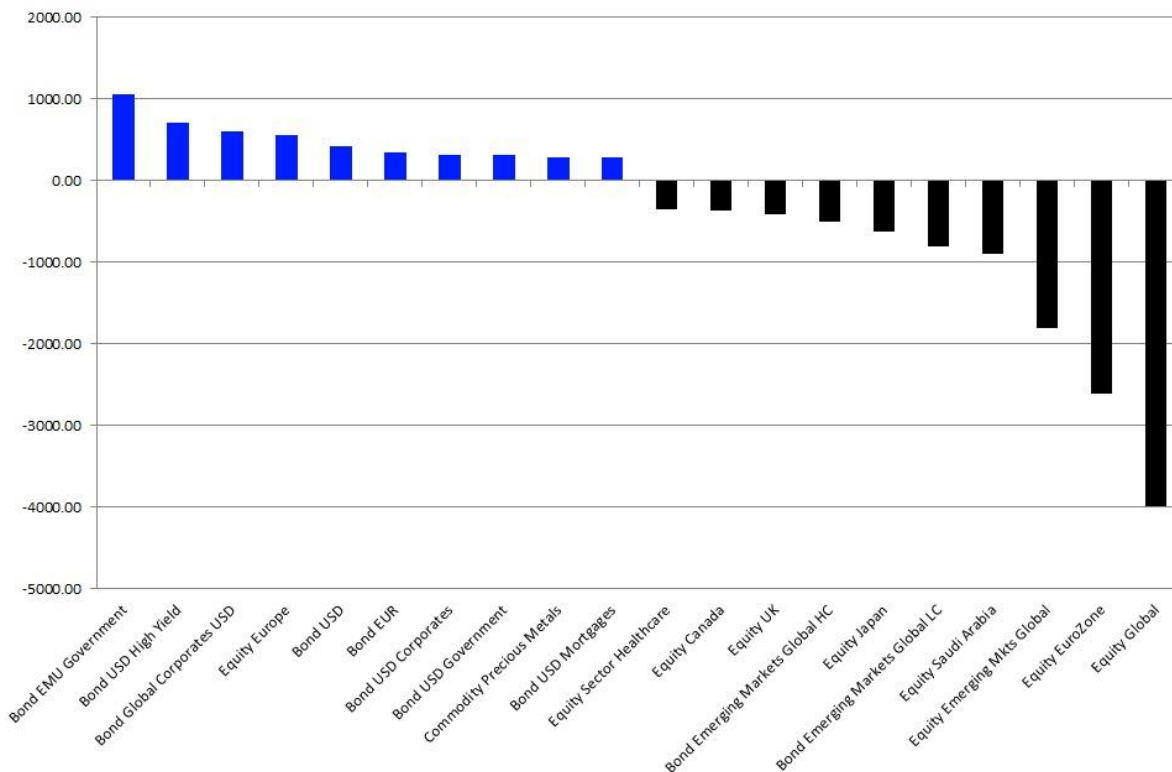
Source: Lipper from Refinitiv

Fund Flows by Lipper Global Classifications

With regard to the overall sales for August, it was not surprising bond funds (+€4.0 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 August was Bond EMU Government (+€1.1 bn), followed by Bond USD High Yield (+€0.7 bn) and Bond Global Corporates USD (+€0.6 bn).

The net inflows of the 10 best-selling Lipper classifications accounted for €4.9 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, August 2019 (Euro Millions)



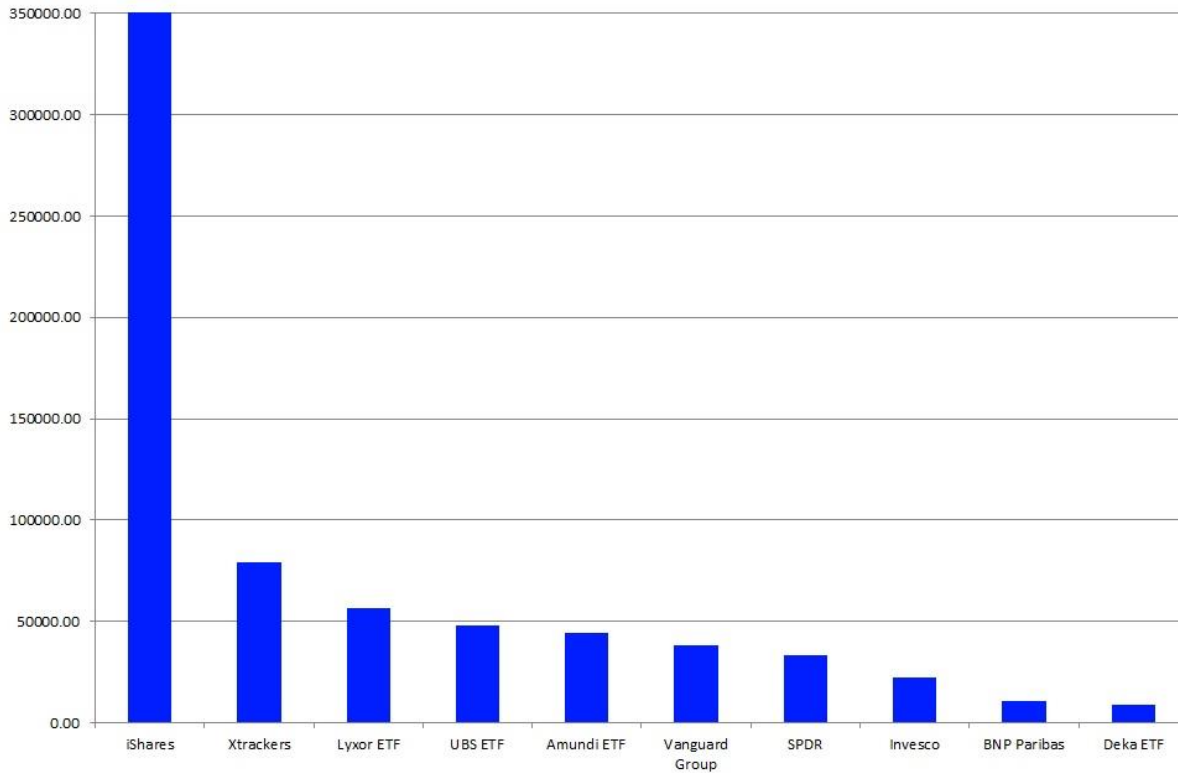
Source: Lipper from Refinitiv

On the other side of the table, the 10 peer groups with the highest net outflows for August accounted for €12.4 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 20 of the 51 ETF promoters in Europe held assets at or above €1.0 bn. The largest ETF promoter in Europe—**iShares** (€360.4 bn)—accounted for 47.61% of the overall assets under management, far ahead of the number-two promoter—**Xtrackers** (€79.1 bn)—and the number-three promoter—**Lyxor ETF** (€56.7 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, August 30, 2019 (Euro Millions)



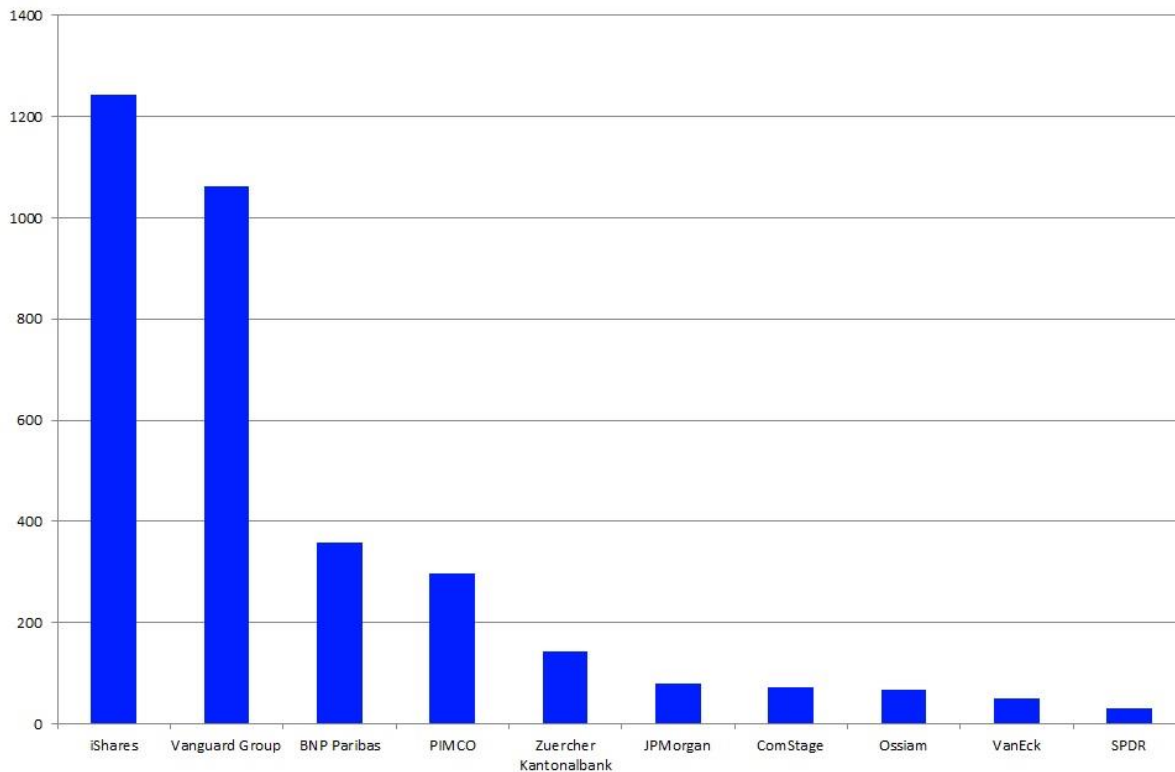
Source: Lipper from Refinitiv

The 10-top promoters accounted for 92.84% 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 7.16% of the overall assets under management.

Fund Flows by Promoters

Since the European ETF market is highly concentrated, it was surprising that only four of the 10 largest promoters by assets under management were among the 10-top selling ETF promoters for August. **iShares** was the best-selling ETF promoter in Europe for August (+€1.2 bn), ahead of **Vanguard Group** (+€1.1 bn) and **BNP Paribas** (+€0.4 bn).

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



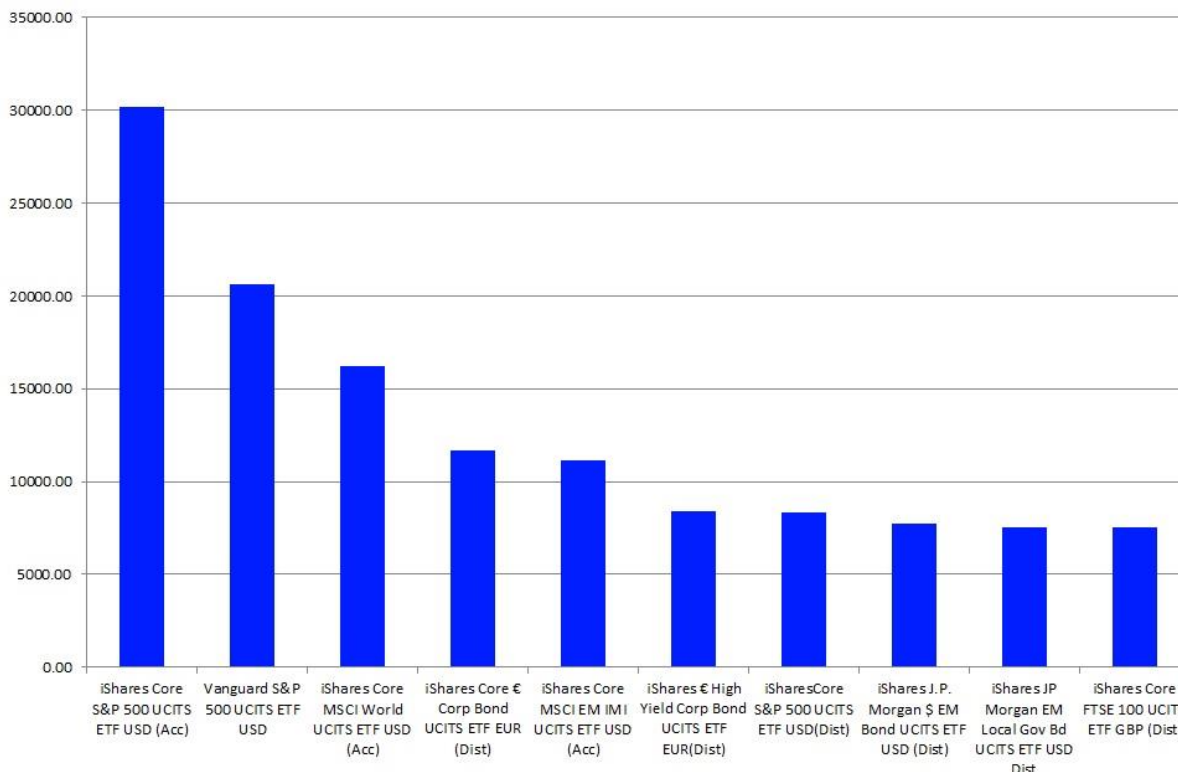
Source: Lipper from Refinitiv

The flows of the 10-top promoters accounted for estimated net inflows of €3.4 bn. With regard to the overall flow trend in August, it was clear that some of the 51 promoters (21) faced net outflows (-€12.4 bn in total) over the course of the month.

Assets Under Management by Funds

There were 2,878 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of August. Regarding the overall market pattern, it was not surprising the assets under management at the ETF level were also highly concentrated. Only 164 of the 2,878 instruments held assets above €1.0 bn each. These products accounted for €468.7 bn, or 61.92%, of the overall assets in the European ETF industry. The 10 largest ETFs in Europe accounted for €129.4 bn, or 17.10%, 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, August 30, 2019 (Euro Millions)

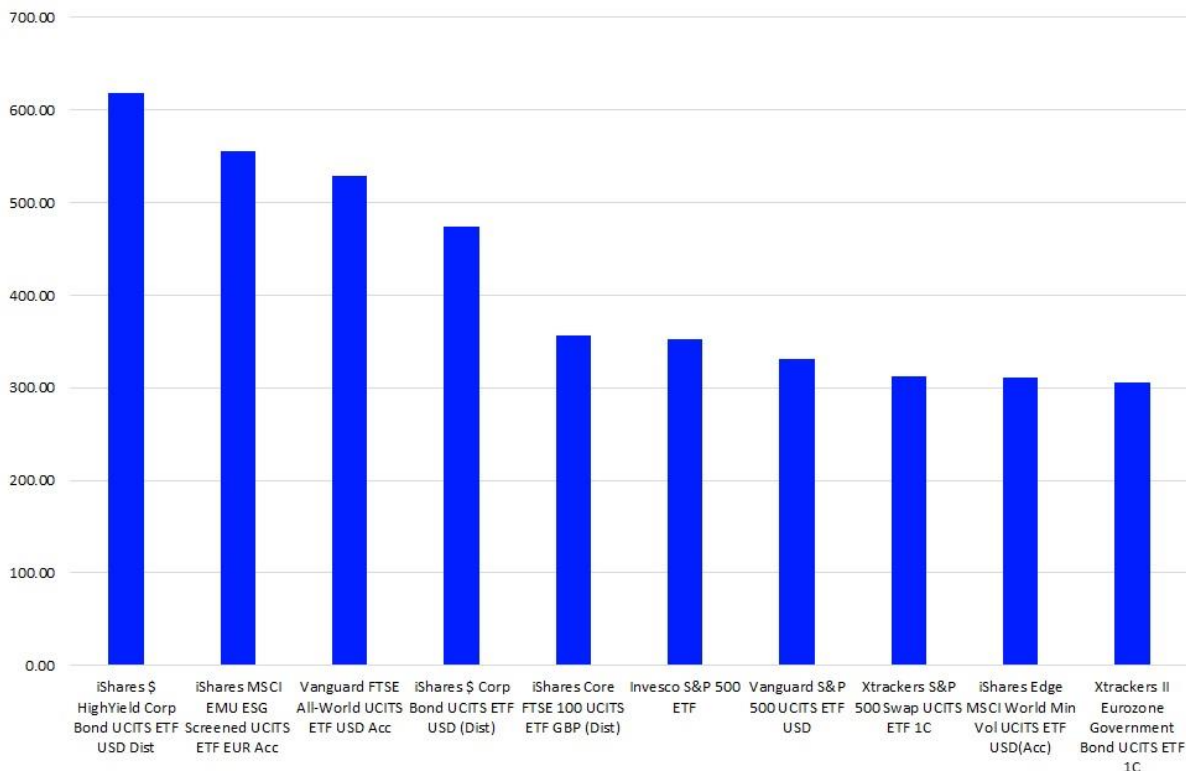


Source: Lipper from Refinitiv

ETF Flows by Funds

A total of 929 of the 2,878 instruments analyzed in this report showed net inflows of more than €10,000 each for August, accounting for €17.8 bn. This meant the other 1,949 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 34 of the 929 ETFs posting net inflows enjoyed inflows of more than €100 m during August—for a total of €7.9 bn. The best-selling ETF for August, **iShares \$ HighYield Corp Bond UCITS ETF USD Dist**, accounted for net inflows of €0.6 bn. It was followed by **iShares MSCI EMU ESG Screened UCITS ETF EUR Acc** (+€0.6 bn) and **Vanguard FTSE All-World UCITS Bond UCITS ETF USD (Dist)** (+€0.6 bn) and **Vanguard FTSE All-World UCITS ETF USD Acc** (+€0.5 bn).

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



Source: Lipper from Refinitiv

The flow pattern at the fund level indicated there was a lot of turnover and rotation during August, 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 August were promoted by **iShares**. This accounted for total net inflows of €2.3 bn.

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