

Informed Investor: Money Monitor

A look back at European ETF market flows last month

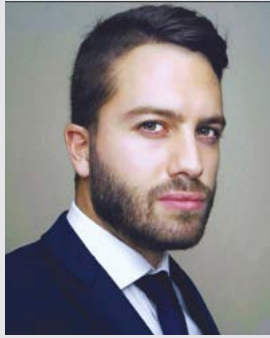
This document is reserved and must be given in Switzerland exclusively to Qualified Investors as defined by the Swiss Collective Investment Scheme Act of 23 June 2006 (as amended from time to time, CISA).

June 2019
Lyxor ETF Research

LYXOR  etf
SOCIETE GENERALE GROUP



**Marlene
Hassine Konqui**
Head of ETF Research



Kristo Durbaku
ETF Research Analyst

CONTEXT

Slight rebound for European ETF flows	2
Special focus	4
Huge outflows from equities	5
Fixed income flows rebound sharply	6
Commodity flows turn slightly negative	7
Smart beta's positive trend stalls	8
Best month ever for ESG ETFs	9
Dive deeper	10

Informed Investor: Money Monitor June 2019

By Marlene Hassine Konqui, Head of ETF Research and Kristo Durbaku, ETF Research Analyst

Slight rebound for European ETF flows

Net new assets in the European ETF market rebounded slightly in June to €2.6bn from the €2.1bn we saw in May. The month confirmed a trend we've been monitoring recently, with fixed income ETFs attracting most of the inflows (€5.6bn). In contrast, equity ETFs suffered their worst month ever (-€4.3bn).

Meanwhile, flows into commodity and Smart beta ETFs returned to the red (-€78m for both categories). ESG ETFs were again one of the biggest winners in June. They enjoyed their best month ever with €1.4bn of inflows, driven by broad strategies.

What happened last month?

- ▶ ETF flows rebounded slightly
- ▶ A very weak month for equities
- ▶ Big bounce back for fixed income

 €2.6bn



Huge outflows from equities

-€4.3bn



Fixed income flows rebound sharply

€5.6bn



Commodity flows turn slightly negative

-€78m



Smart beta's positive trend stalls

-€78m



Best month ever for ESG ETFs

€1.4bn

How does the YTD picture look?

- ▶ European ETFs enjoyed a good H1
- ▶ Fixed income, smart beta and ESG lead the way

 €35.0bn



Equity ETFs are this year's laggards

-€2.2bn



Still the best start to a year for fixed income

€27.3bn



Negative year so far for commodities

-€300m



Strong start for smart beta

€5.0bn



Record start to a year for ESG

€5.2bn

Source: Monthly data in EURM from 01/01/2019 to 30/06/2019 Bloomberg, Lyxor International Asset Management.

Note: This report is based on the data available on 30/06/2019.

Asset and flow data may be slightly adjusted as additional data becomes available.

All categories are exclusive and sum up to the total market flows.

Contact us

info@LyxorETF.ch | +41 58 272 33 44

Special focus

The search for yield

Record inflows

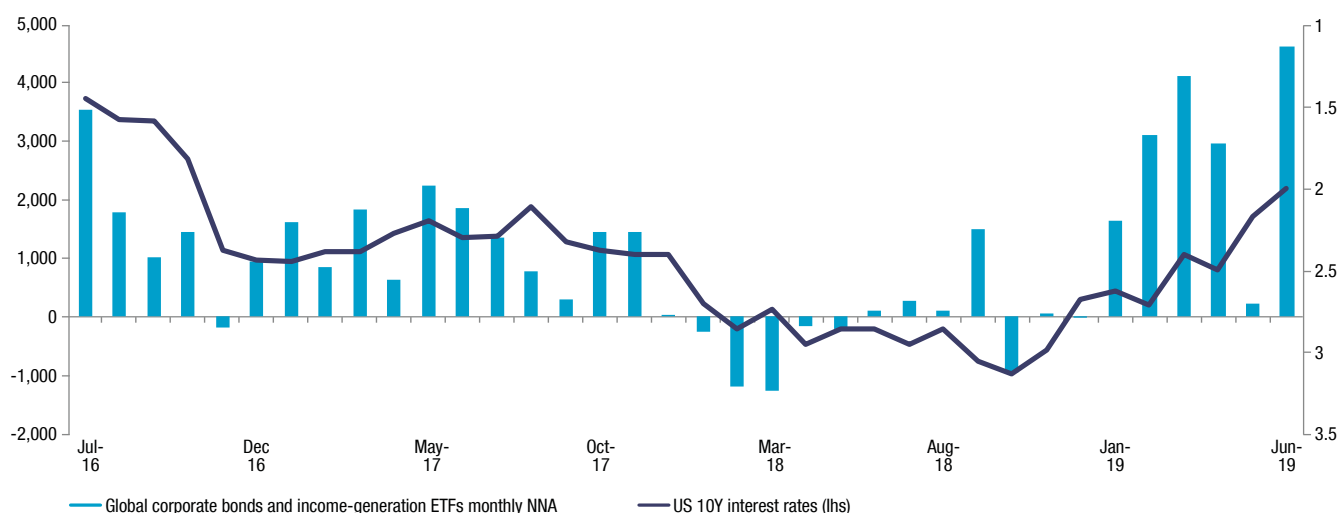
€4.6bn

Investors have redoubled their search for yield in the current very low interest rate environment. With German, French and Japan government bonds' yields negative, corporate bonds (both IG & HY) and income-generating equity strategies have been in high demand. In Europe, flows surged into these kinds of strategies. Year-to-date, they have gathered €16.7bn of assets - around 47% of overall ETF market flows*. This accelerated again in June after Mario Draghi commented on the possibility of adding more QE in Europe and central banks in Japan and the US reiterated their dovish stance, which pushed all interest rates simultaneously in negative territory.

Monthly inflows reached a high for the year of **€4.6bn** - an amount not seen since 2015 - and accounted for 74% of total monthly flows*.

The general policy dovishness and the historical correlation between US 10-year yield moves and flows into, or out of, global corporate credit and income-generation ETFs flows (see graph below), mean it's likely these categories will retain their popularity with investors for months to come. We expect to see significant inflows along the way.

Global corporate credit and income-generation ETFs monthly flows vs. US 10Y yield



*Restated for an exceptional creation of €3.4bn in February and an exceptional redemption of €3.7bn in June from a MSCI ACWI ETF, total flows amount to €6.27€ in June and €35.3bn YTD. Source: Lyxor ETF, Bloomberg data from 30/06/2016 to 30/06/2019.

Contact us

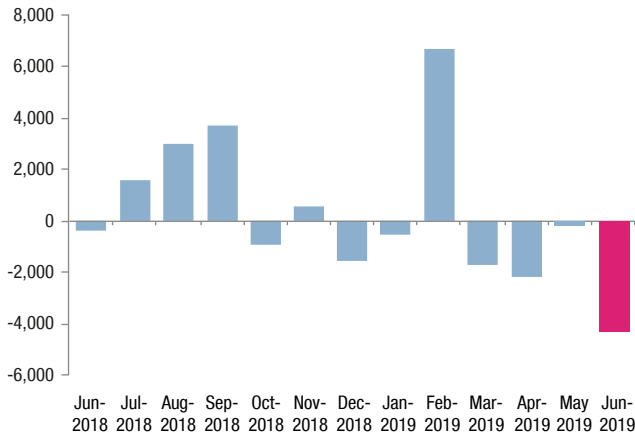
info@LyxorETF.ch | +41 58 272 33 44

Huge outflows from equities

↓ -€4.3bn

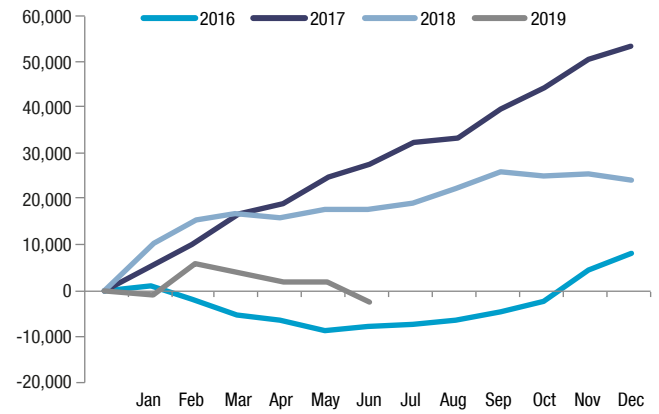
Equity ETFs flows collapse

Monthly NNA on equity ETFs

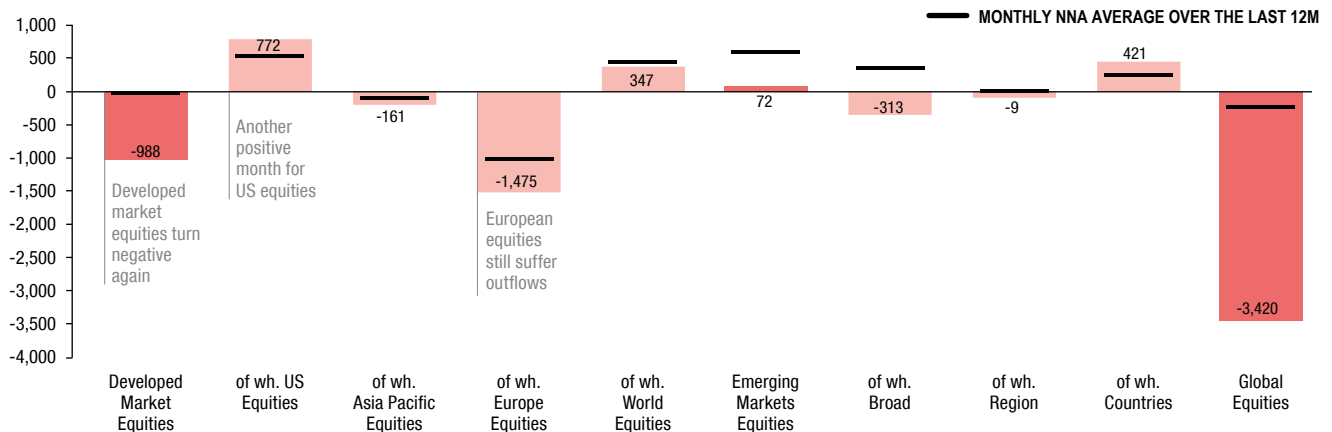


Equity ETFs end H1 in negative territory

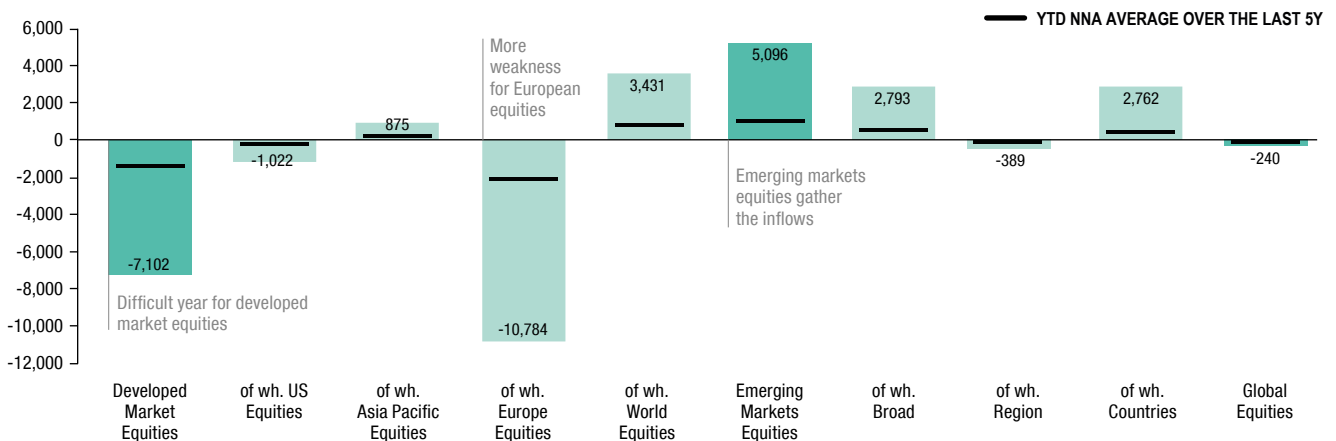
Cumulated monthly NNA on equity ETFs



Monthly net inflows on Equity ETFs in Europe



YTD net inflows on equity ETFs in Europe



Source: Monthly data from 01/01/2014 to 30/06/2019, Bloomberg, Lyxor International Asset Management.

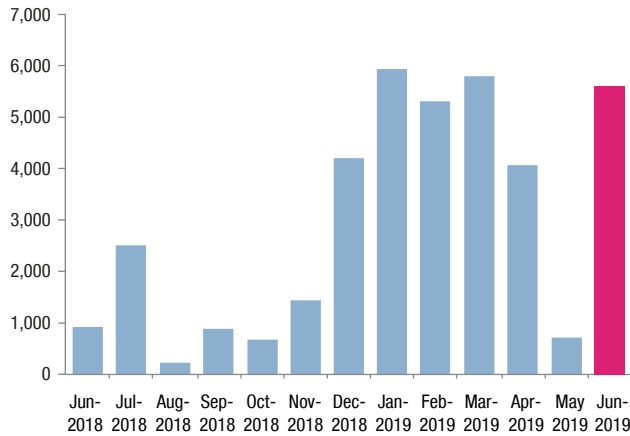
Contact us

info@LyxorETF.ch | +41 58 272 33 44

Fixed income flows rebound sharply €5.6bn

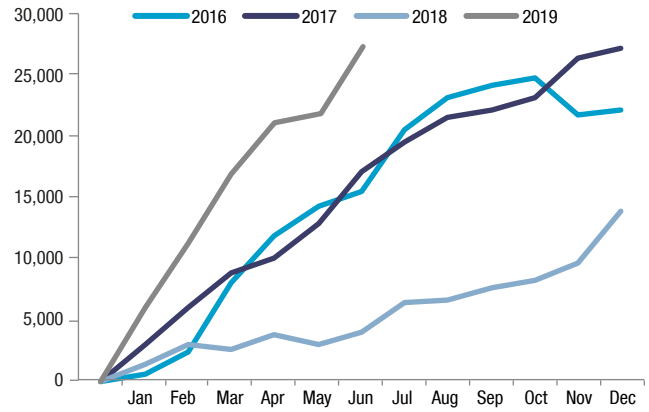
Flows surged into fixed income ETFs

Monthly NNA on fixed income ETFs

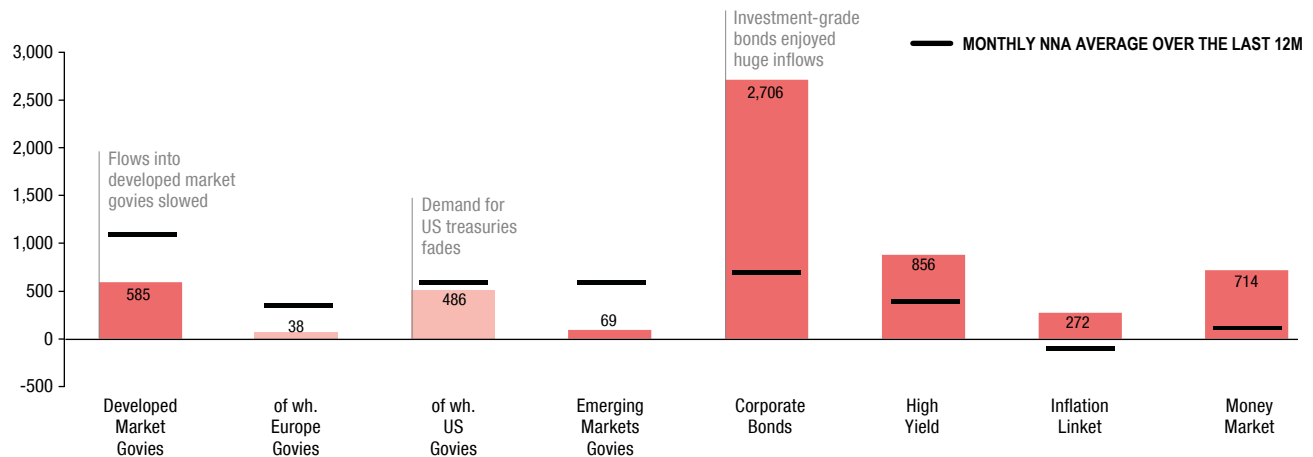


Best H1 ever for fixed income ETFs

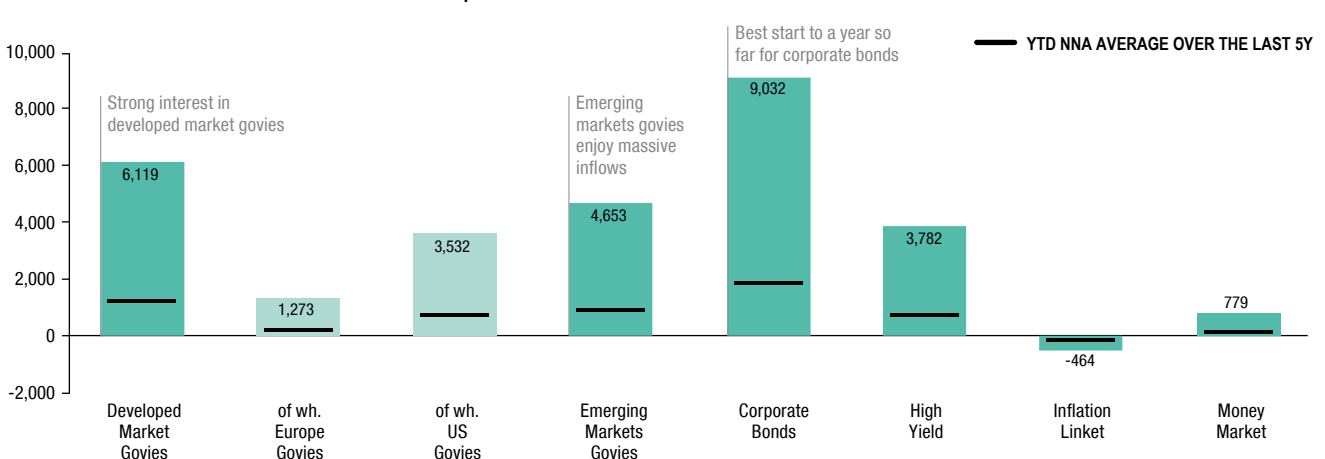
Cumulated monthly NNA on fixed income ETFs



Monthly net inflows on fixed income ETFs in Europe



YTD net inflows on fixed income ETFs in Europe



Source: Monthly data from 01/01/2014 to 30/06/2019, Bloomberg, Lyxor International Asset Management.

Contact us

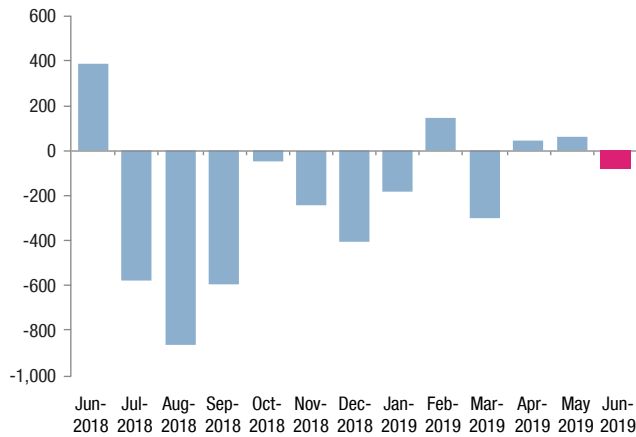
info@LyxorETF.ch | +41 58 272 33 44

Commodity flows turn slightly negative

 -€78m

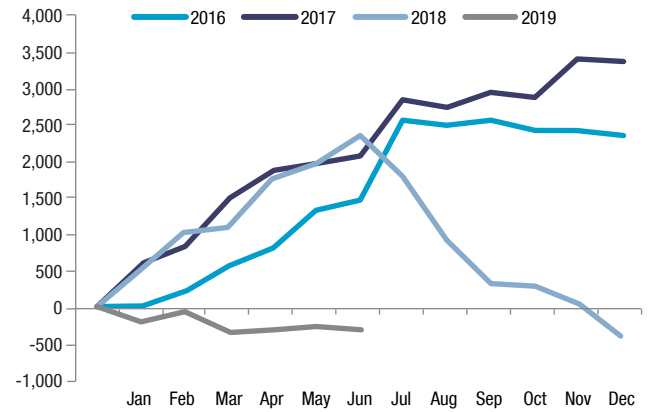
Commodity ETFs flows turn negative

Monthly NNA on commodity ETFs

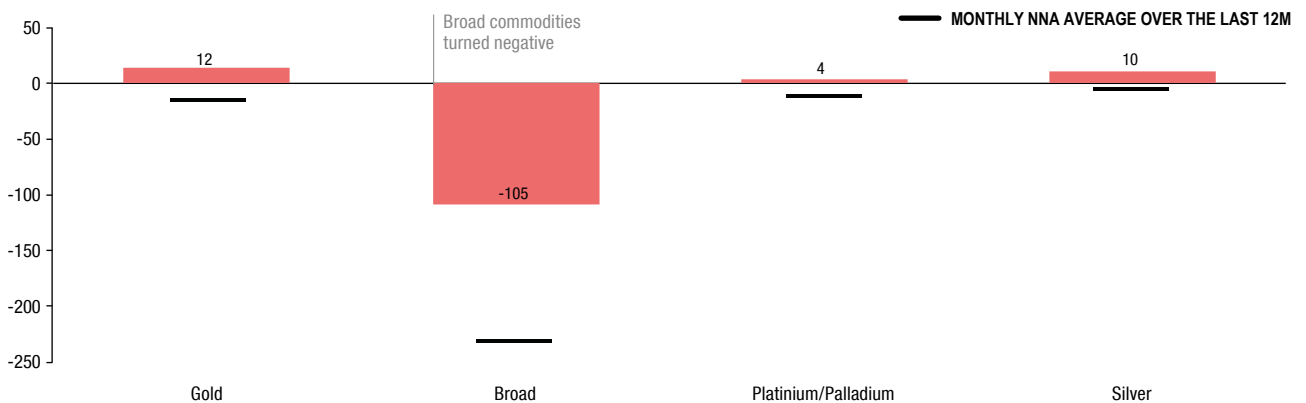


Commodity ETFs still in the red

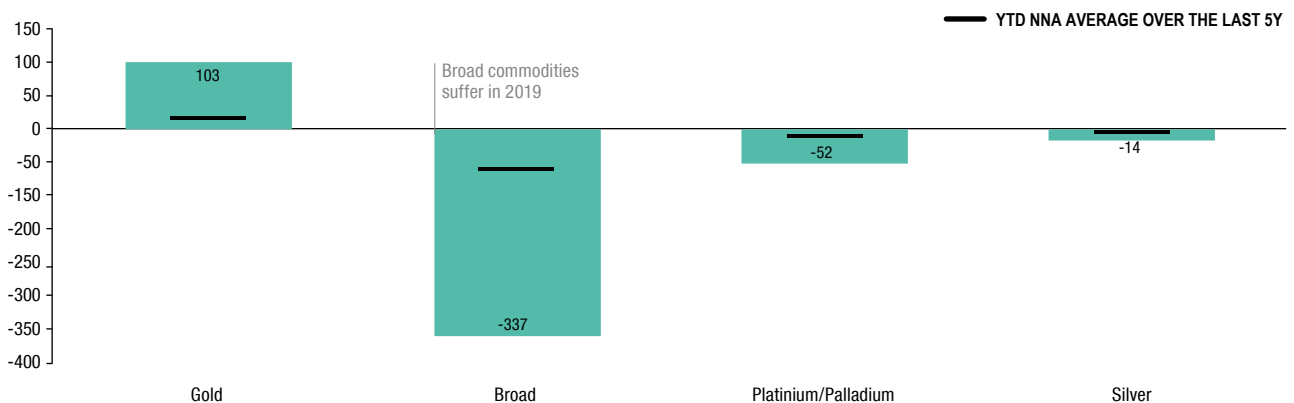
Cumulated monthly NNA on commodity ETFs



Monthly net inflows on commodity ETFs in Europe



YTD net inflows on commodity ETFs in Europe



Source: Monthly data from 01/01/2014 to 30/06/2019, Bloomberg, Lyxor International Asset Management.

Contact us

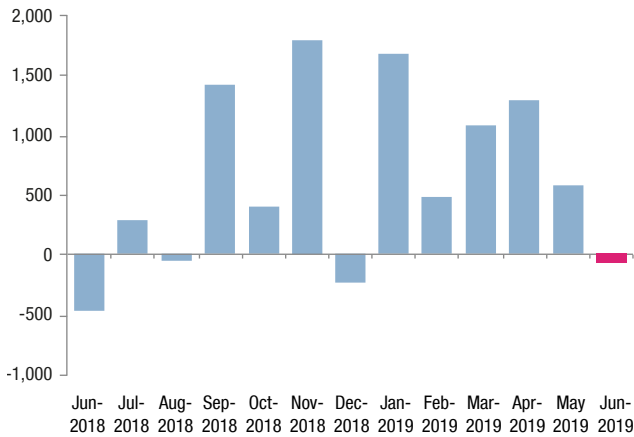
info@LyxorETF.ch | +41 58 272 33 44

Smart beta's positive trend stalls

↓ -€78m

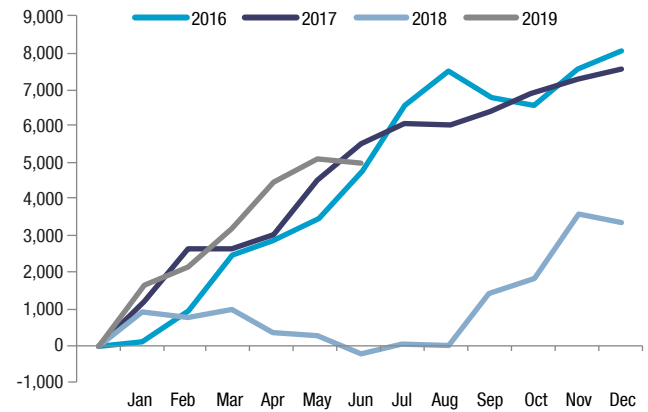
First negative month for smart beta in 2019

Monthly NNA on smart beta ETFs

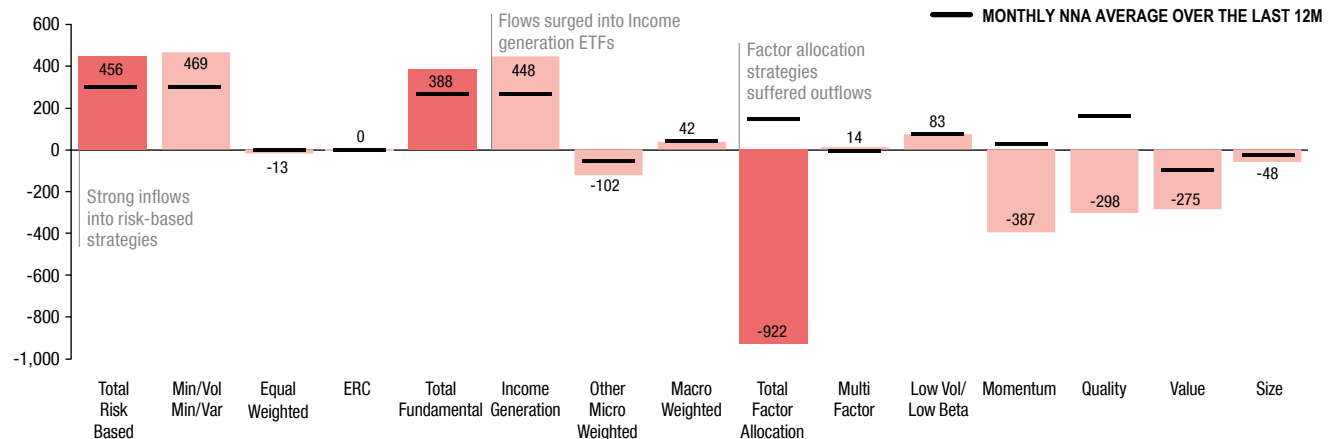


Smart beta ETFs enjoyed a strong H1

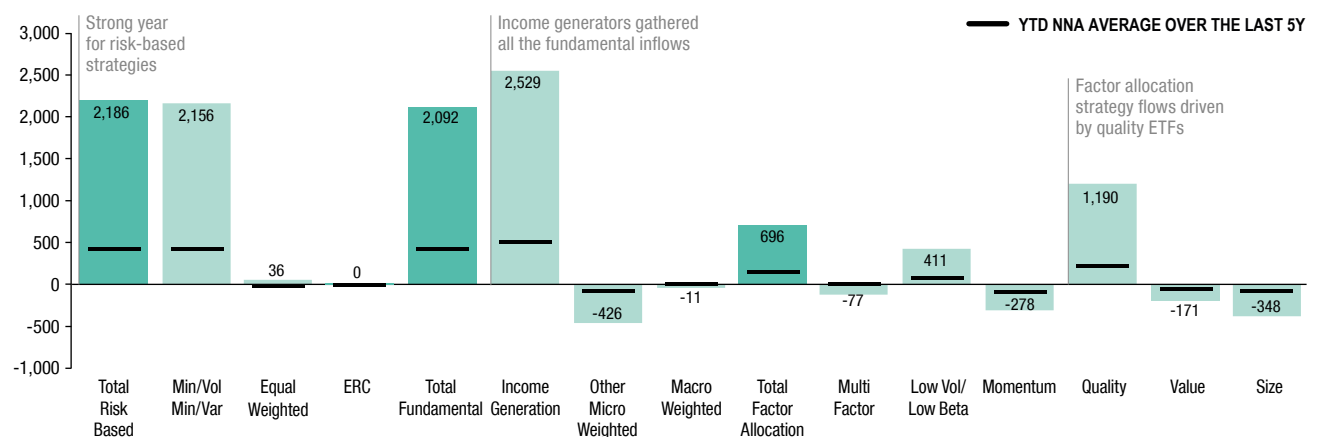
Cumulated monthly NNA on smart beta ETFs



Monthly net inflows on smart beta ETFs in Europe



YTD net inflows on smart beta ETFs in Europe



Source: Monthly data from 01/01/2014 to 30/06/2019, Bloomberg, Lyxor International Asset Management.

Contact us

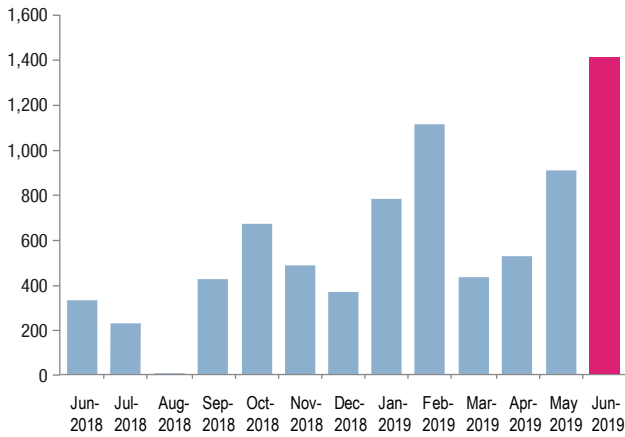
info@LyxorETF.ch | +41 58 272 33 44

Best month ever for ESG ETFs

€1.4bn

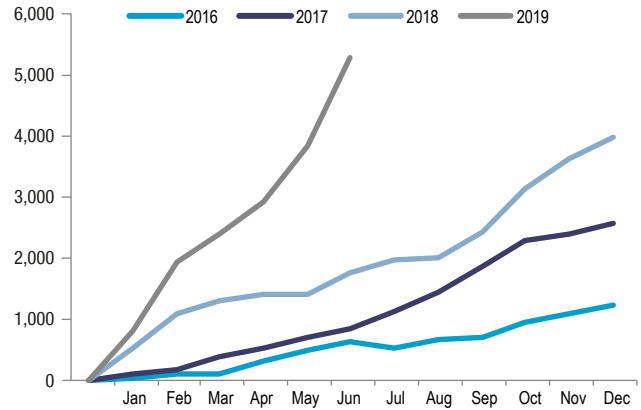
Best month ever for ESG ETFs

Monthly NNA on ESG ETFs

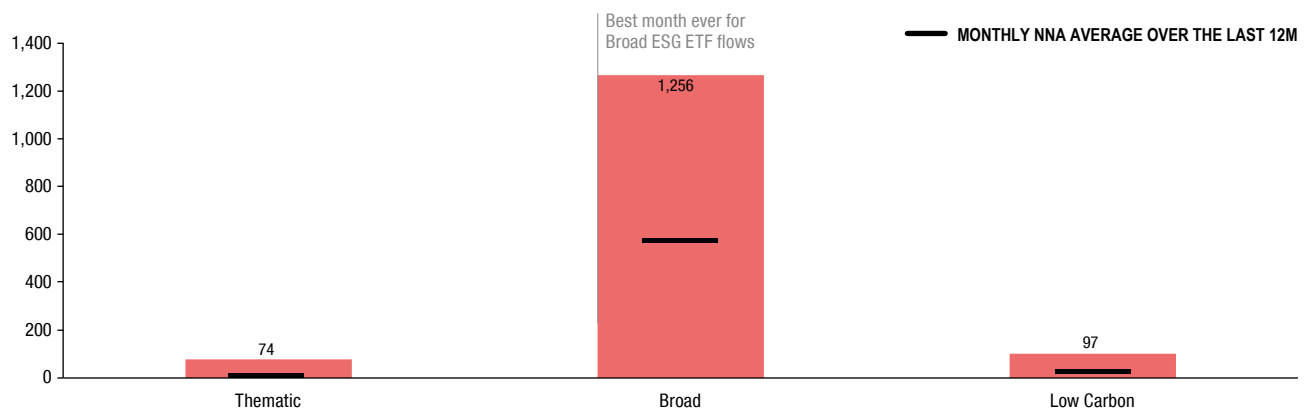


Best start to a year ever for ESG ETFs

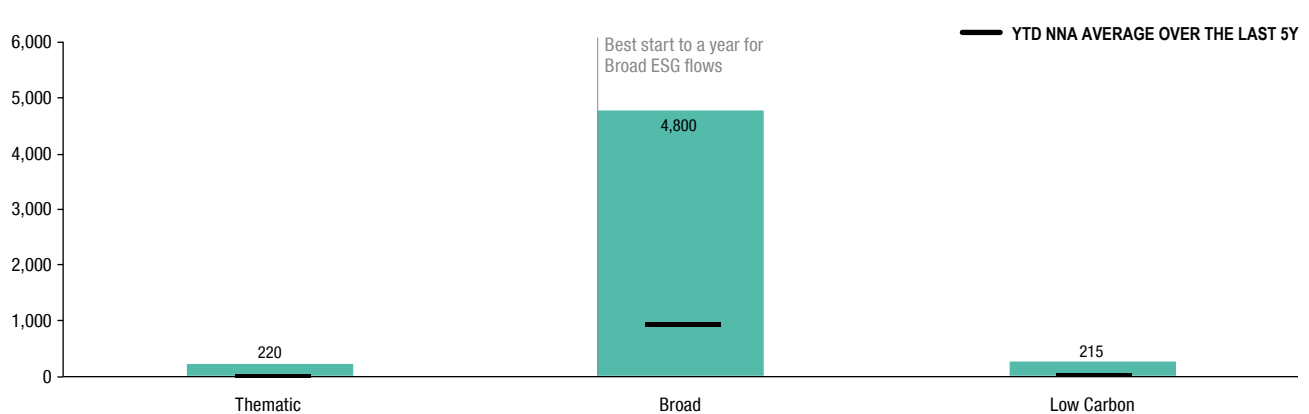
Cumulated monthly NNA on ESG ETFs



Monthly net inflows on ESG ETFs in Europe



YTD net inflows on ESG ETFs in Europe



Source: Monthly data from 01/01/2014 to 30/06/2019, Bloomberg, Lyxor International Asset Management.

Contact us

info@LyxorETF.ch | +41 58 272 33 44

Dive deeper

Check out our quarterly and annual reports, they dive deeper into the numbers that matter, and help to tell the story of what might have driven these results.

Check out the Alpha/Beta Allocator Q1 2019

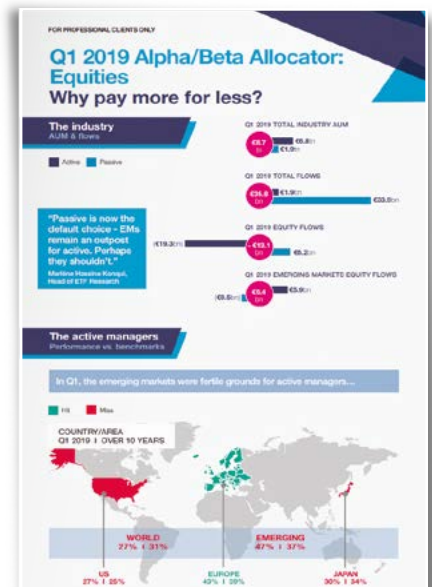
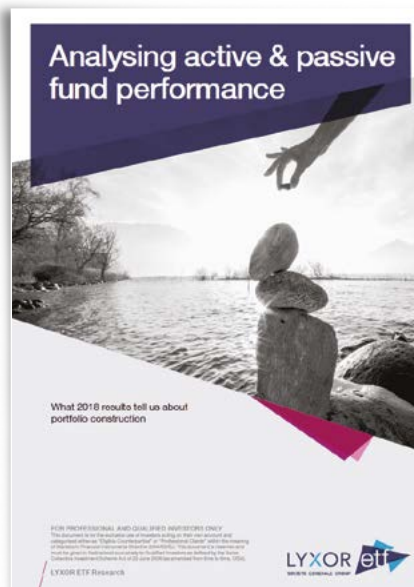
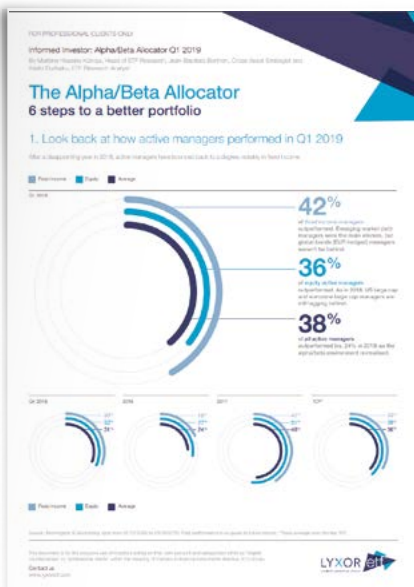
▶ Read more

Read the full 2018 analysis on active and passive performance

▶ Read more

Get the equity alpha/beta allocation perspective-Q1 2019

▶ Read more



Knowing your risk

It is important for potential investors to evaluate the risks described below and in the fund prospectus on our website www.LyxorETF.ch

Capital at risk

The capital invested is not guaranteed.

Replication risk

The fund objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

Important information

This document has been provided by Lyxor International Asset Management that is solely responsible for its content.

This document is not to be deemed distribution of funds in Switzerland according to the Swiss collective investment schemes act of 23 June 2006 (as amended from time to time, CISA) or any other applicable Swiss laws or regulations.

This document is reserved and must be given in Switzerland exclusively to Qualified Investors as defined by the Swiss Collective Investment Scheme Act of 23 June 2006 (as amended from time to time, CISA).

Financial intermediaries (including particularly, representatives of private banks or independent asset managers, Intermediaries) are hereby reminded on the strict regulatory requirements applicable under the CISA to any distribution of foreign collective investment schemes in Switzerland. It is each Intermediary's sole responsibility to ensure that (i) all these requirements are put in place prior to any Intermediary distributing any of the Funds presented in this document and (ii) that otherwise, it does not take any action that could constitute distribution of collective investment schemes in Switzerland as defined in article 3 CISA and related regulation.

Any information in this document is given only as of the date of this document and is not updated as of any date thereafter.

Fund liquidity risk

The fund's liquidity and/or value may be negatively affected by different factors.

Counterparty risk

The fund may be exposed to the counterparty risk resulting from the use of otc forward financial instruments contracted with a lending institution, or from the use of a securities lending programme.

Currency risk

The funds are exposed to currency risk, as they may be denominated in a currency different from the index.

This document is for information purposes only and does not constitute an offer, an invitation to make an offer, a solicitation or recommendation to invest in collective investment schemes. This document is not a prospectus as per article 652a or 1156 of the Swiss Code of Obligations, a listing prospectus according to the listing rules of the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland, a simplified prospectus, a key investor information document or a prospectus as defined in the CISA.

An investment in collective investment schemes involves significant risks that are described in each prospectus or offering memorandum. Each potential investor should read the entire prospectus or offering memorandum and should carefully consider the risk warnings and disclosures before making an investment decision.

Any benchmarks/indices cited in this document are provided for information purposes only.

This document is not the result of a financial analysis and therefore is not subject to the "Directive on the Independence of Financial Research" of the Swiss Bankers Association.

This document does not contain personalized recommendations or advice and is not intended to substitute any professional advice on investments in financial products.

Contact us

info@LyxorETF.ch | +41 58 272 33 44

