

Informed Investor: Money Monitor

A look back at European ETF
market flows last month

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November 2019
Lyxor ETF Research

LYXOR 
SOCIETE GENERALE GROUP



**Marlene
Hassine Konqui**
Head of ETF Research

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ETF Flows: back on track

November was European ETFs' third-best month over the last year, as the market gathered €14.6bn. Taken together with the strong results of September and October, it forms simply the best three-month period on record. The inflows were predominantly driven by equity (+€8.0bn) and fixed income (+€2.7bn).

Flows into commodities continued to grow modestly (€+234 mn) and smart beta ETFs enjoyed their strongest month in this calendar year (€+1.7 bn).

Meanwhile, ESG ETFs keep breaking all records: monthly inflows of €1.9bn took their total for the year to €13.6bn.

What happened last month?

- ▶ Record month for ESG flows
- ▶ Best month for smart beta so far this year

 **€14.6bn**



Strong month for equities

€8.0bn



Fixed income flows steady

€2.7bn



Good month for commodities

€234m



Best month YtD for smart beta

€1.7bn



Record month for ESG ETFs

€1.9bn

How does the YTD picture look?

- ▶ European ETFs are enjoying a strong year so far, second best YTD flows on record
- ▶ Fixed income, smart beta and ESG lead the way

 **€84.9bn**



Equity ETFs are finally catching-up after mixed start

€15.7bn



Still the best year so far for fixed income

€45.7bn



Weak year so far for commodities

€1.1bn



Strong year so far for smart beta

€8.5bn



Record YTD flows for ESG

€13.6bn

Source: Monthly data in EURM from 01/01/2019 to 30/11/2019 Bloomberg, Lyxor International Asset Management.

Note: This report is based on the data available on 04/12/2019.

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

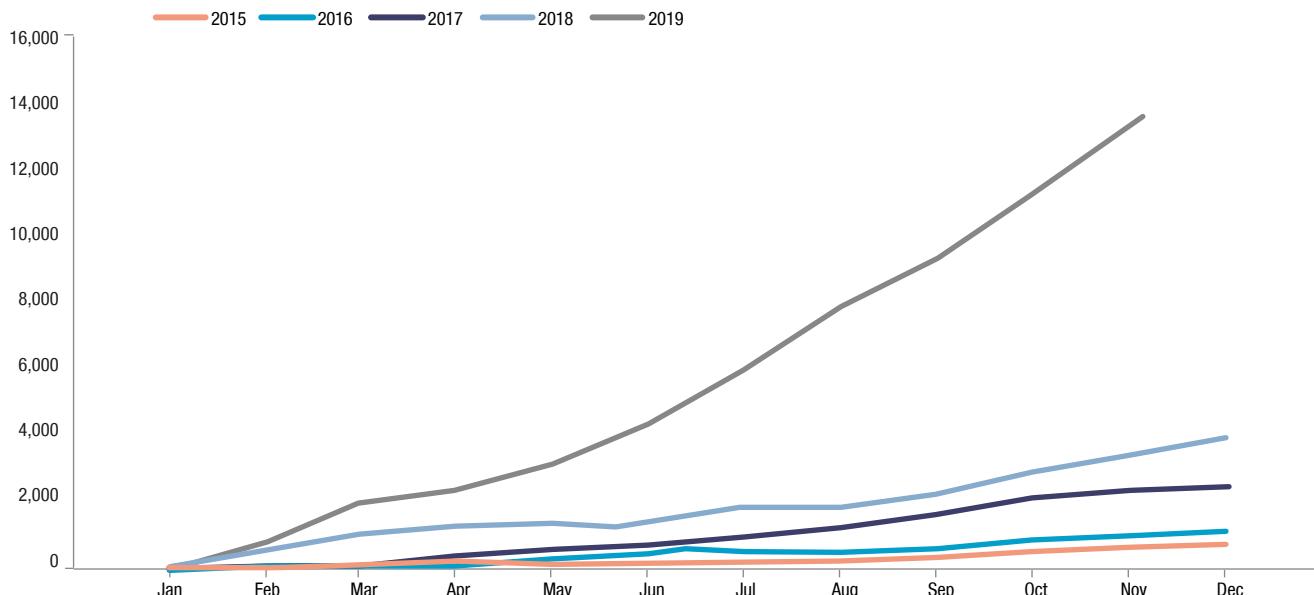
All categories are exclusive and sum up to the total market flows.

Record flows into ESG Equities

2019 has been a very eventful year, with investors experiencing elevated volatility on all asset classes at various stages. One thing however has remained remarkably stable: the appetite for ESG investments. Regardless of the debates on how

to best define ESG and fears about the potential for “greenwashing”, these flows tell a story which very much fits with our own vision on this investment theme: this trend is both accelerating and very likely to stay.

Cumulated NNAs into ESG Equities (in € mn)



The Lyxor view

Lyxor expects active and passive flows into ESG funds in Europe to continue, supported by investors' changing preferences towards ESG integration and changes in regulation.

One key piece of regulation is the European Commission's action plan to finance sustainable growth, announced in March 2018. This will compel all investors to include ESG criteria in their

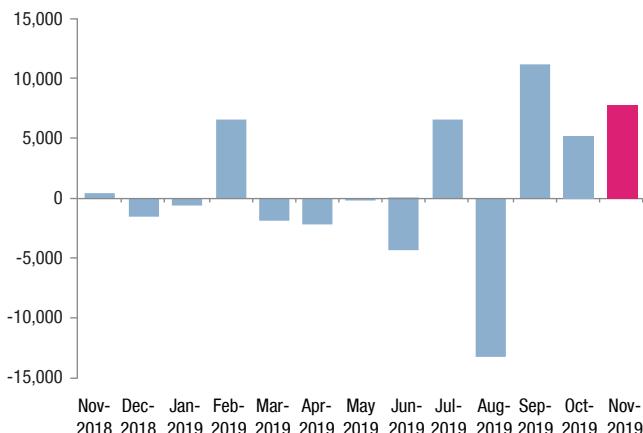
investment decisions, which has the potential to support ESG investments into the future.

Recent ESG flows seem to support our belief in a positive future for sustainable investing. We see ETFs and ESG as a natural fit and expects this segment of Europe's ETF market to continue growing.

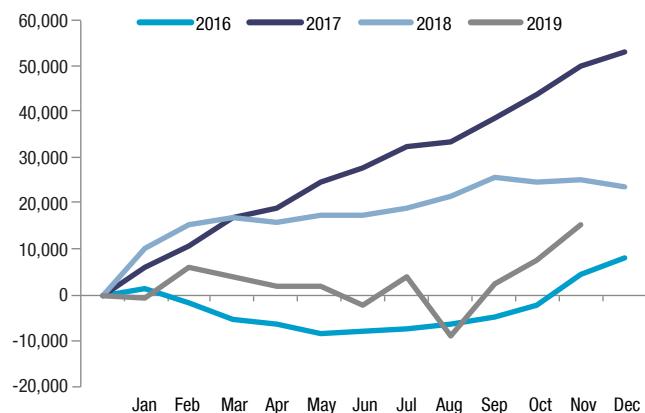
Strong month for equities

€8.0bn

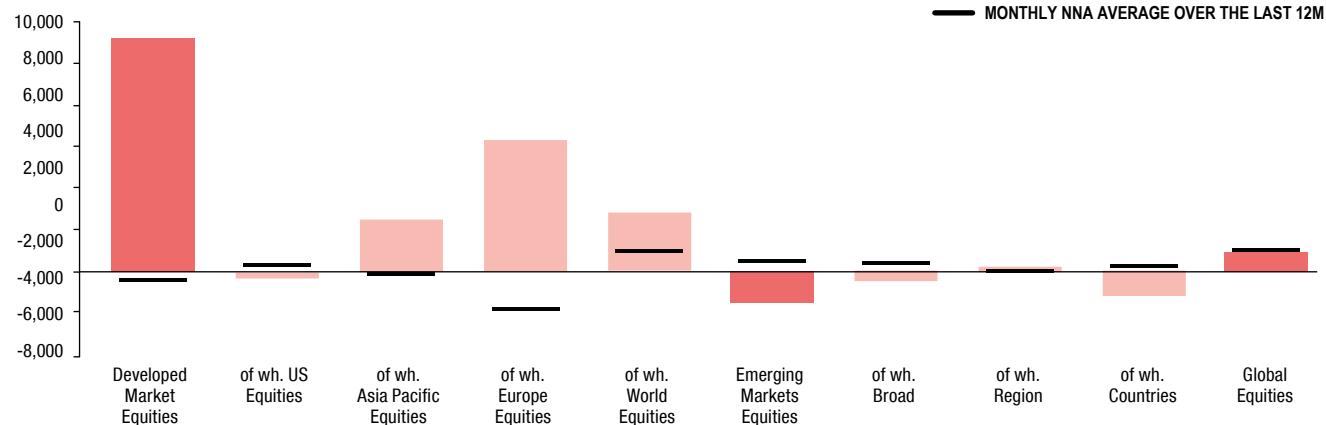
Three successive positive months for equities for the first time this year
Monthly NNA into equity ETFs



Equity ETF inflows are getting back on track
Cumulated monthly NNA into equity ETFs



Monthly YTD net inflows into equity ETFs in Europe



— MONTHLY NNA AVERAGE OVER THE LAST 12M

YTD net inflows into equity ETFs in Europe



— YTD NNA AVERAGE OVER THE LAST 5Y

Source: Monthly data from 01/01/2016 to 30/11/2019, Bloomberg, Lyxor International Asset Management.

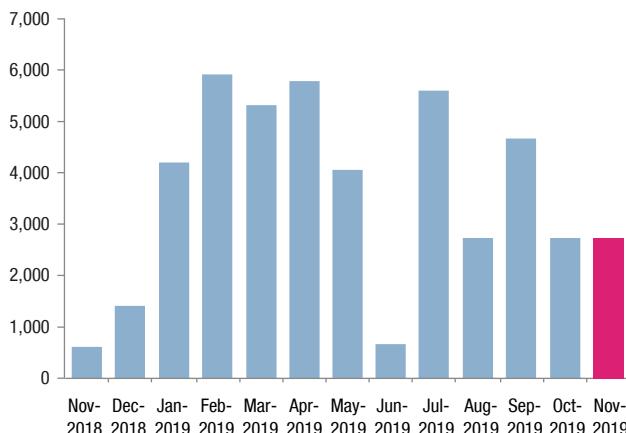
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Fixed income flows steady

€2.7bn

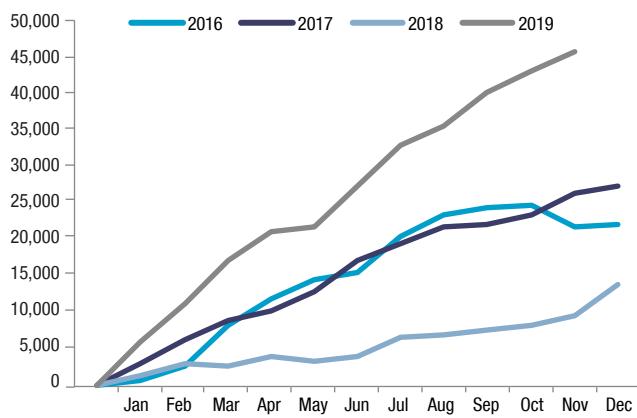
Steady flows into fixed income ETFs

Monthly NNA into fixed income ETFs

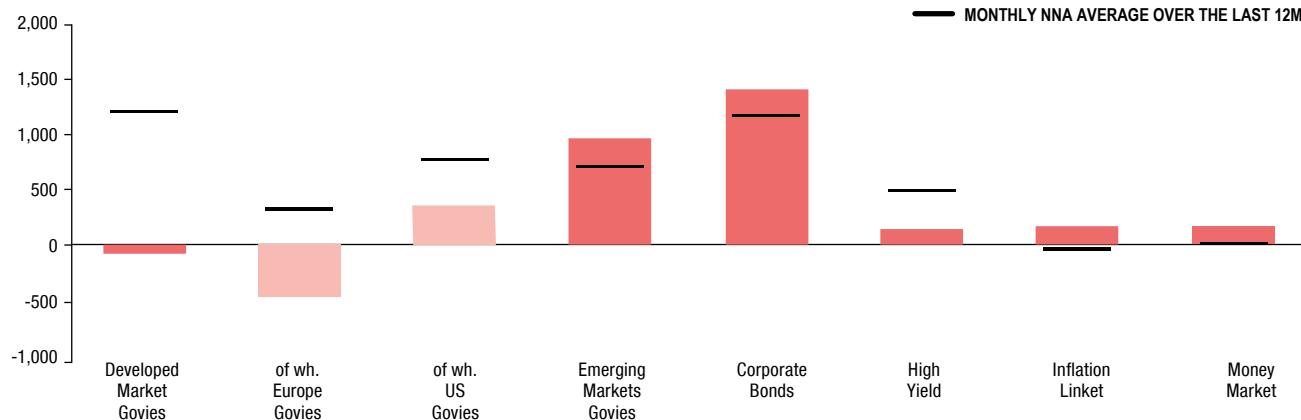


Best year so far for fixed income ETFs

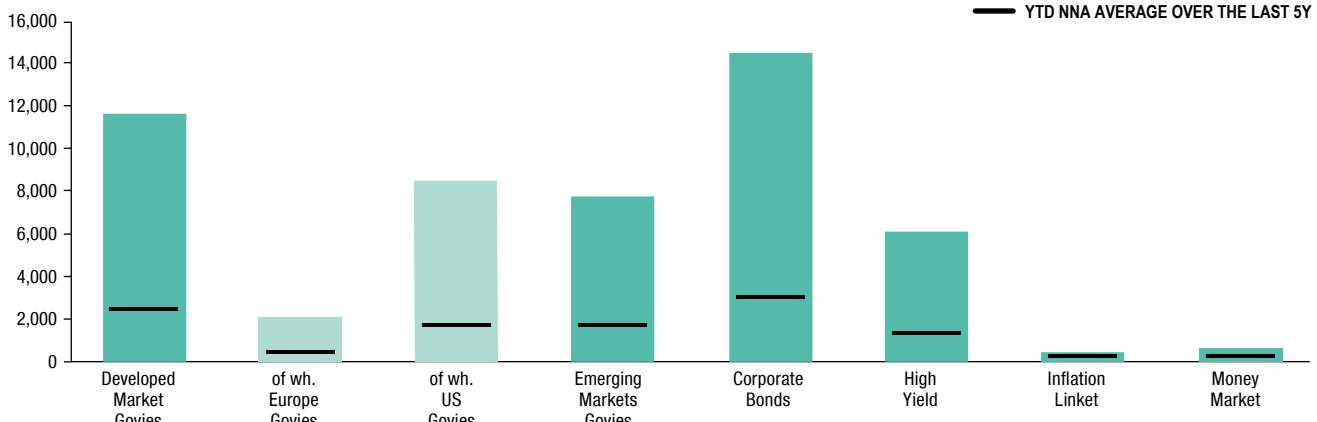
Cumulated monthly NNA on fixed income ETFs



Monthly net inflows on fixed income ETFs in Europe



YTD net inflows on fixed income ETFs



Source: Monthly data from 01/01/2016 to 30/11/2019, Bloomberg, Lyxor International Asset Management.

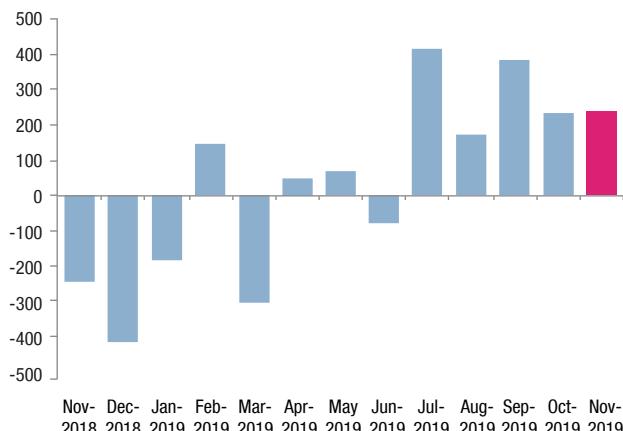
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Good month for commodities

€234m

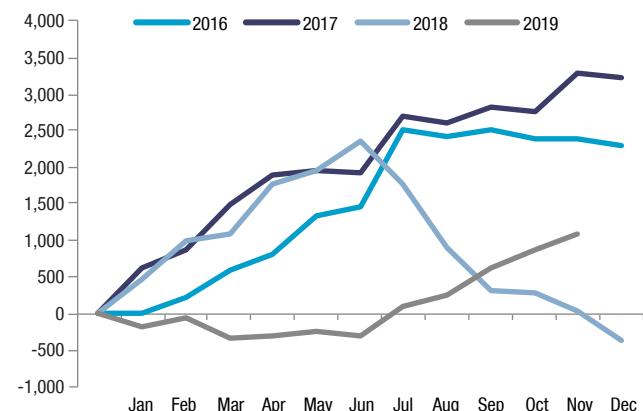
Flows into commodity ETFs have recovered

Monthly NNA into commodity ETFs



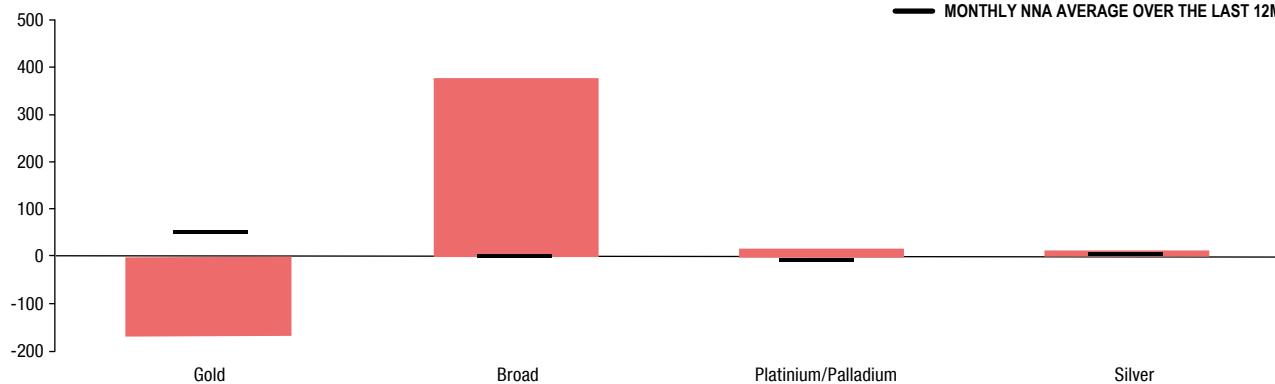
Flows into commodity ETFs continue

Cumulated monthly NNA on commodity ETFs



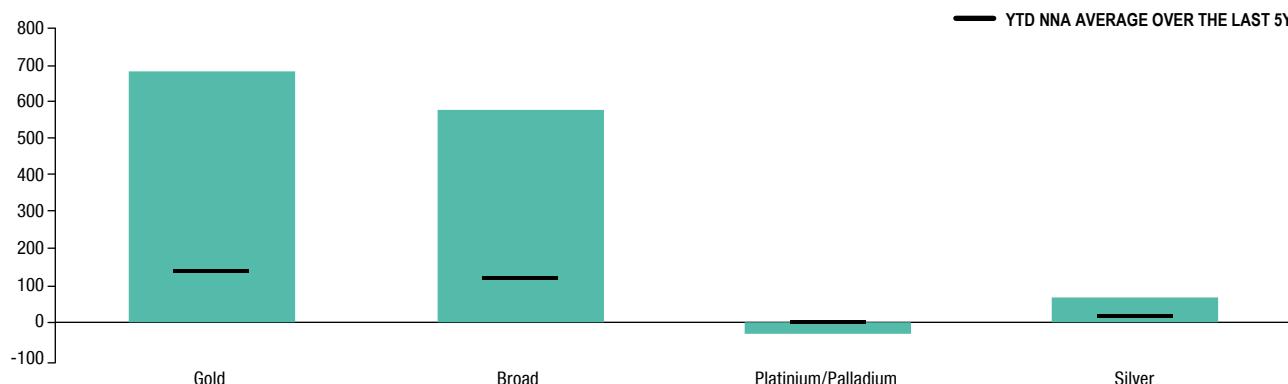
Monthly net inflows into commodity ETFs in Europe

— MONTHLY NNA AVERAGE OVER THE LAST 12M



YTD net inflows into commodity ETFs in Europe

— YTD NNA AVERAGE OVER THE LAST 5Y



Source: Monthly data from 01/01/2016 to 30/11/2019, Bloomberg, Lyxor International Asset Management.

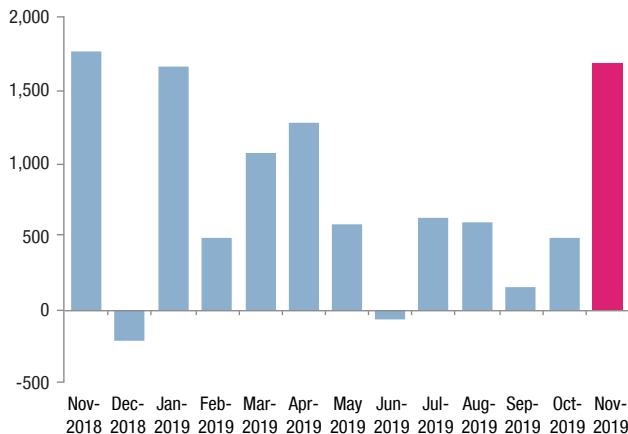
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Best month YtD for smart beta

€1.7bn

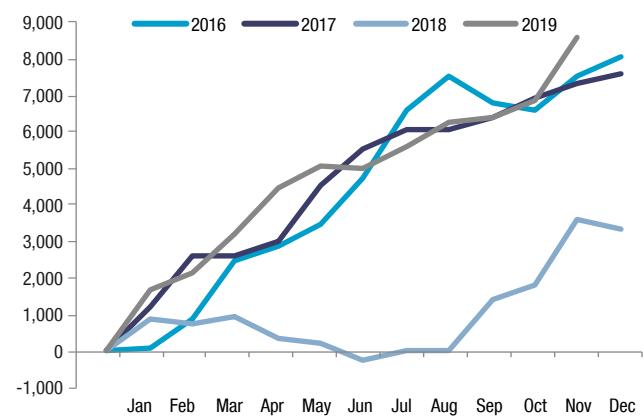
Slow, but steady flows into smart beta ETFs

Monthly NNA into smart beta ETFs

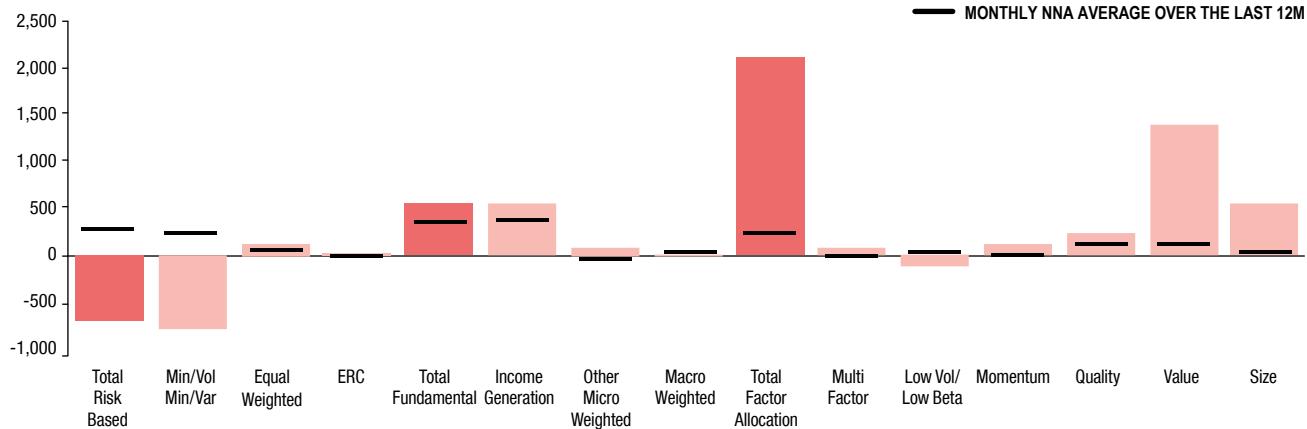


Smart beta ETFs flows are on track for a record year

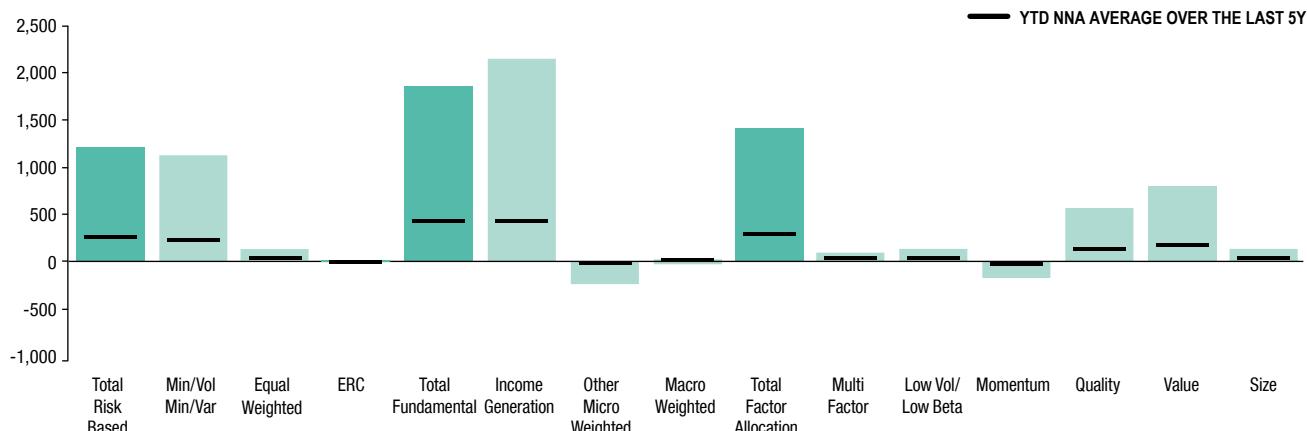
Cumulated monthly NNA into smart beta ETFs



Monthly net inflows into smart beta ETFs in Europe



YTD net inflows into smart beta ETFs in Europe



Source: Monthly data from 01/01/2016 to 30/11/2019, Bloomberg, Lyxor International Asset Management.

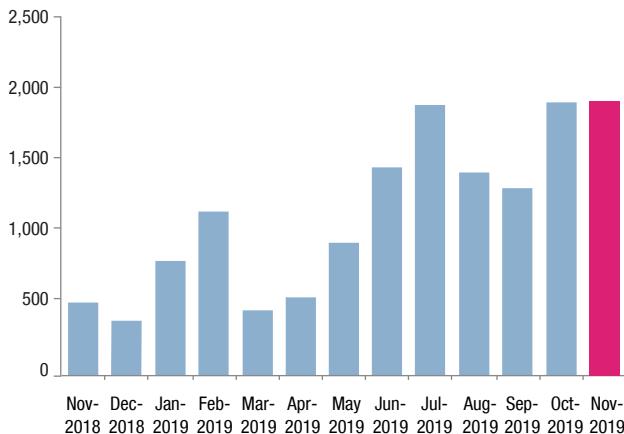
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Record month for ESG ETFs

€1.9bn

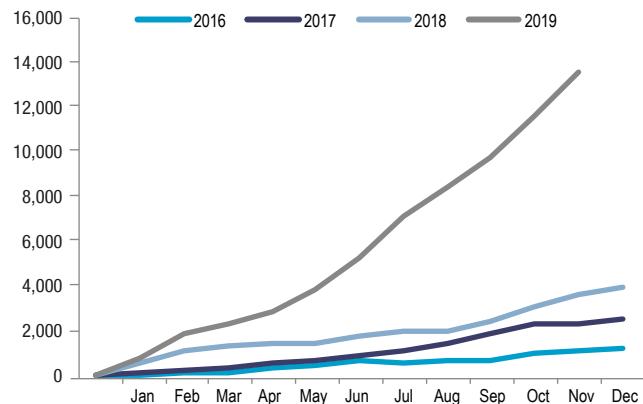
A new record month for ESG ETFs

Monthly NNA into ESG ETFs



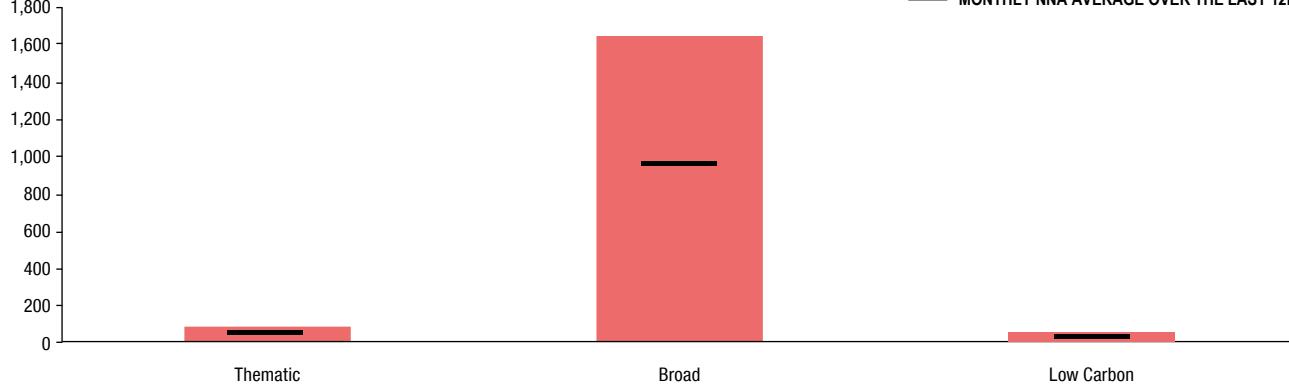
Flows into ESG ETFs are unprecedented

Cumulated monthly NNA into ESG ETFs



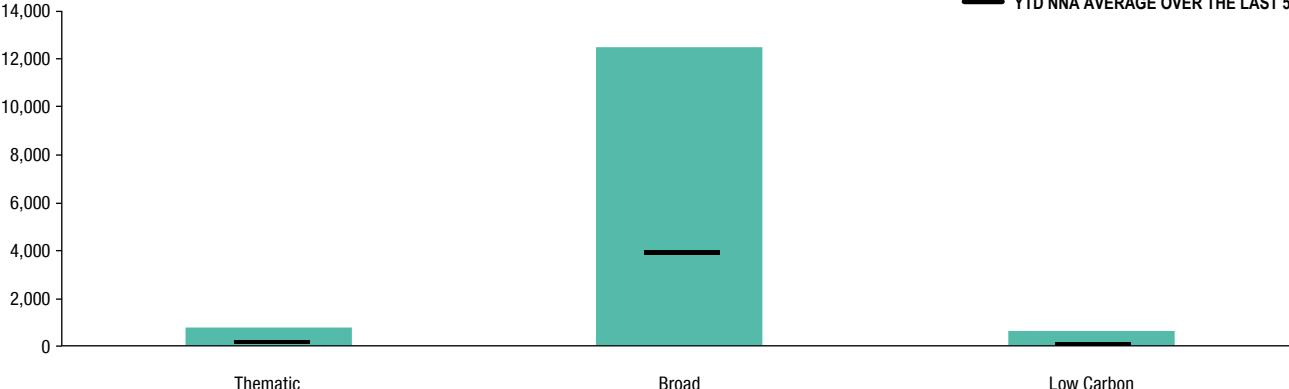
Monthly net inflows into ESG ETFs in Europe

— MONTHLY NNA AVERAGE OVER THE LAST 12M



YTD net inflows into ESG ETFs in Europe

— YTD NNA AVERAGE OVER THE LAST 5Y



Source: Monthly data from 01/01/2016 to 30/11/2019, Bloomberg, Lyxor International Asset Management.

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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 Q2 2019

 [Read more](#)

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on active and passive
performance

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Get the equity alpha/beta allocation perspective-Q1 2019

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FOR PROFESSIONAL CLIENTS ONLY

Informé Investor: Alpha/Beta Allocator H1 2019

By Alexandre Gosselin, Head of Research, Jean-Baptiste Berthoin, Gross Asset Strategist and Kristo Durdaku, ETF Research Analyst

The Alpha/Beta Allocator

6 steps to a better portfolio

1. Look back at how active managers performed in H1 2019

Short term: 6 months of analysis and how correlations have allowed active managers to slightly improve their performance in Q2. 1st, passive portfolio to hold a slight advantage.

Legend: █ Fixed Income █ Equity █ Credit

H1 2019

45%
of fixed income managers outperformed (vs. 20% to 2018). Global bonds were the clear winners, but emerging market debt managers performed the best.

40%
of equity managers outperformed (vs. 30% to 2018). As in 2018, world large-cap and aerospace managers were the best, while oil and gas companies are still lagging behind.

42%
of active managers outperformed (vs. 20% to 2018) as the alphabets environment normalized.

Q2 2019 **Q1 2019** **2018** **100%**

Legend: █ Fixed Income █ Equity █ Credit

Source: Managers & Disclosures, December 2018 to June 2019. There are no guarantees over the last 12M. Active fund performance percentages are calculated at the December 31st of the respective active fund universe. Relative data has been adjusted accordingly. Past performance is no guide to future returns.

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Q1 2019 Alpha/Beta Allocator: Equities

Why pay more for less?

The industry
AUM & flows

■ Active ■ Passive

**"Passive is now the default choice for many retail investors for active. Perhaps they shouldn't."
Marlene Hasen Konrad, Head of EYI Research**

Category	Total	Active	Passive
Q1 2019 TOTAL INDUSTRY AUM	\$6.8tn	\$6.8tn	\$1.9tn
Q1 2019 TOTAL FLOWS	\$33.9tn	\$1.8tn	\$32.1tn
Q1 2019 EQUITY FLOWS	\$13.1tn	\$1.2tn	\$11.9tn
Q1 2019 EMERGING MARKETS EQUITY FLOWS	\$5.8tn	\$5.8tn	\$0.05tn

The active managers
Performance vs. benchmarks

In Q1, the emerging markets were fertile grounds for active managers...

■ HI ■ Miss

COUNTRY/AREA
Q1 2019 | OVER 10 YEARS

Region	Performance
WORLD	27% 31%
US	27% 35%
EUROPE	43% 26%
EMERGING	47% 37%
JAPAN	30% 34%

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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.

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The attention of investors is drawn to the fact that, the prospectus of Luxembourg Lyxor UCITS ETFs is only available in English.

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These products include a risk of capital loss. The redemption value of these products may be less than the amount initially invested. In a worst case scenario, investors could sustain the loss of their entire investment.

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.

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