

GLOBAL ETP FLOWS

2022 IN REVIEW

- Strong buying:** global ETPs saw \$867B of net inflows in 2022 – second only to 2021’s record levels (\$1.29T). iShares funds gathered a quarter (\$223B) of all inflows, retaking the leading position in flows globally.
- Bonds break records:** fixed income (FI) ETPs saw strong global inflows in 2022 (\$266B) – 47% (\$125B) of which went into iShares products – despite a challenging market environment.
- Momentum in equities:** equity ETPs saw the second-highest yearly inflows on record (\$598B); the picture was less positive for commodities, which recorded net outflows (-\$9.5B).

A standout year for fixed income flows

2022 marked the third-largest inflow year for FI ETPs on record, closely tracking 2021 (\$280B) and 2020 (\$269B) – yet allocations have shifted significantly YoY.

Rates ETPs (\$181B) drove 68% of net FI flows in 2022 – 3.3x 2021’s levels, and exceeding net inflows from 2019–2021 combined – with the majority (92%) going into US exposures. Records were broken across the curve – short, intermediate, long and blended maturity – but short-term ETPs proved most popular (\$66B).

Investor interest in credit was mixed: investment grade (IG) ETPs ended the year with \$40.1B added vs. high yield (HY) outflows of -\$5.6B. Sentiment towards IG ramped up in H2 (\$30.1B), and for HY in Q4 (\$14B – prior to this, HY was on track for a record outflow year). Record outflows were seen from inflation-linked bonds (-\$14.6B) and emerging market debt (EMD, -\$9.2B), although this wasn’t large enough to unwind the inflows of 2021 (linkers: \$47.9B; EMD: \$17.6B).

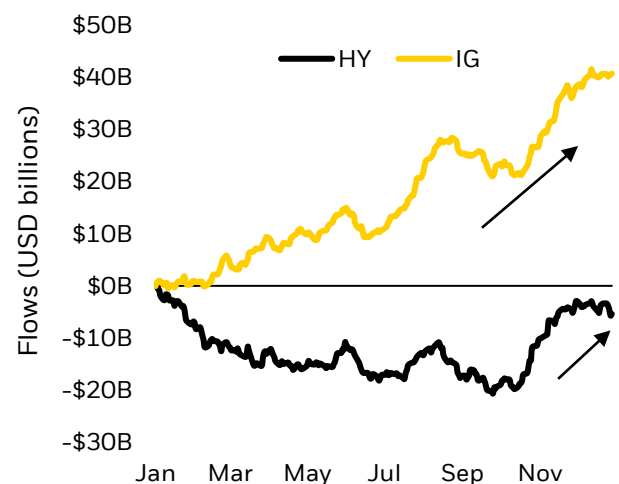
Stock buying bucks the risk-off trend

Equity ETPs registered the second-highest inflow year on record (\$598B in 2022 vs. \$1T in 2021), despite the broad risk-off sentiment in equity markets last year.

US equities drove buying (\$340B); more notably, emerging market (EM) equity saw its largest inflow year on record (\$110B vs. \$90.4B in 2021), led by Chinese equities (\$63.7B) and broad EM (\$14.6B). APAC-listed funds drove the lion’s share of Chinese equity buying (\$52B), but EMEA-listed China equity ETPs also had a record year (\$4.3B). In contrast, European equity ETPs saw their third-largest outflow year on record (-\$16.8B). After net selling from March to August (-\$25.8B), selling slowed in Q4 (-\$2B).

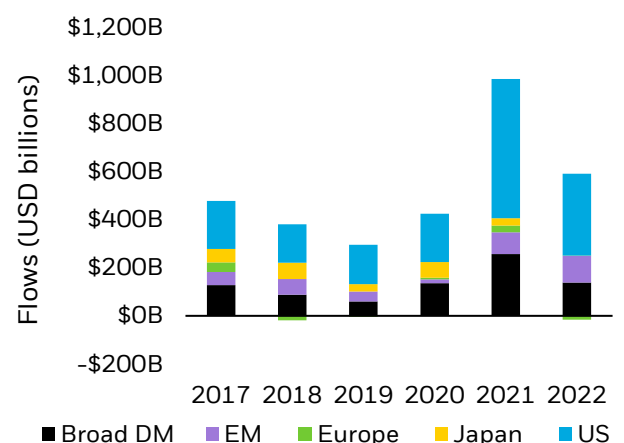
Investors turn positive on credit

Cumulative flows into IG and HY ETPs, 2022



Regional buying elevated vs. pre-2021 levels

Annual flows into regional ETPs, 2017–2022



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Secular growers shine in sectors

The defensive stalwarts were the sector flow winners of 2022, with tech (\$25.6B), healthcare (\$20B), and utilities (\$6B) taking the top three spots – setting new records for the latter two exposures. The defensive shift dominated sector flow trends from March, after an initially promising start for financials in January (\$11.3B) – the sector’s largest inflow month on record. Q1 net inflows into energy (\$8.2B) and financials (\$3.3B) were quickly unwound in the following months. As a result, financials ETPs saw a record outflow year in 2022 (-\$16B), after their strongest ever inflow year in 2021 (\$47.2B).

The tilt towards quality was less pronounced in factor trends, with buying split evenly between quality (\$14B), value (\$14.1B), and minimum volatility (\$12.2B) factor ETPs. Trends beneath the surface showed more stable MoM buying for quality ETPs (with 11 out of 12 inflow months this year), choppy but persistent buying in minimum volatility (largely driven by H2 flows), and value factor interest spiking in Q1 and Q4.

Sustained buying of sustainable

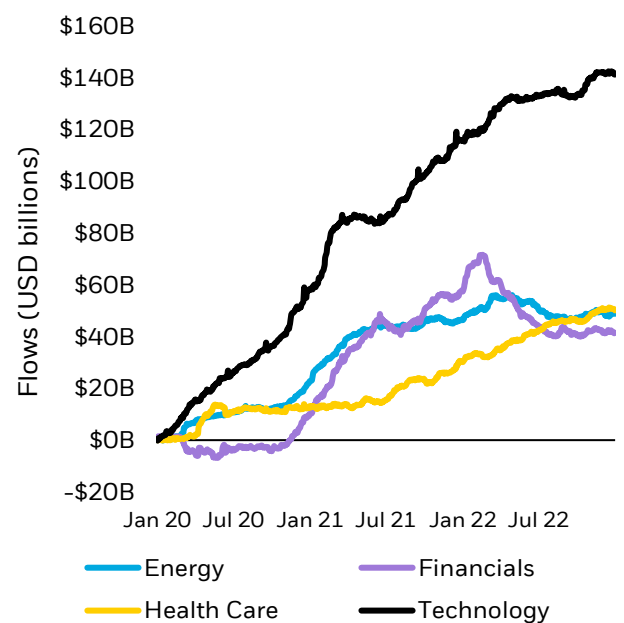
In 2022, sustainable ETPs saw \$60B of net inflows across the US and Europe, down from record inflows of \$139B in the previous year. EMEA-listed sustainable ETPs led the way with \$54B added, while total flows into their US-listed peers were a more muted \$5B. Both figures represent a decrease vs. 2021’s levels of \$100B and \$39B, respectively.

Within Europe, equity flows totalled \$33B in 2022, down from \$78B in 2021. Over the course of the year, monthly flows ranged from \$1.3B in May to \$6B in July. Buying was mainly driven by ESG optimised strategies, with \$12B of net inflows. Fixed income flows were in line with 2021 levels, totalling \$21B in 2022 (vs. \$22B in 2021). Sustainable fixed income flows saw a significant increase from mid-October onwards, with \$6B gathered in the last two months of 2022. ESG best-in-class strategies led the way in sustainable fixed income flows, with \$19B added.

In the US, the \$5B of sustainable inflows were mainly driven by equities, with \$3.4B added (vs. \$36B in 2021), driven by buying of screened strategies (\$1.6B). Fixed income ETPs accounted for \$1.8B of US inflows, down from \$3.5B in 2021. These flows were mainly driven by ESG optimised strategies, with \$1B of inflows, entirely into US exposures.

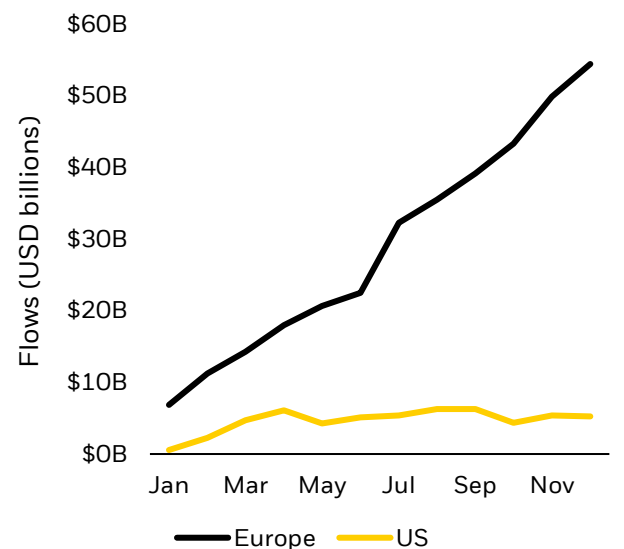
Defensive sectors lead the way

Cumulative flows into select sector ETPs, 2020-2022



EMEA sustainable investing outpaces US

Cumulative flows into sustainable ETPs by listing region, 2022



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