

BLACKROCK GLOBAL ETP LANDSCAPE

AUGUST 2016

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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

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GLOBAL ETP FLOWS ACCELERATE AHEAD OF 2015 PACE AS EMERGING MARKETS CLIMB TO RECORD TERRITORY

- ▶ Global ETPs brought in \$39.8bn in August driving year-to-date flows ahead of 2015 pace on strength in emerging markets (EM) and U.S. equities as well as EM debt and investment grade corporate bonds
- ▶ Broad EM equities gathered \$6.2bn and EM debt funds collected \$1.9bn with both categories on record year-to-date pace amid a leveling of commodity prices and a weaker U.S. dollar
- ▶ U.S. equities generated inflows of \$16.6bn focused in large caps and with strong flows to dividend-weighted and preferred stock strategies as investors search for income
- ▶ Fixed income collected \$11.6bn driven by investment grade corporate bonds with \$5.0bn, which are also on record year-to-date pace, as investors show preference for higher-yielding categories

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Global ETP Highlights

Global ETPs gathered \$39.8bn in August bringing year-to-date flows to \$213.4bn, ahead of 2015's record-setting pace. Similar to July, investors favored U.S. and emerging markets (EM) equities as well as EM and corporate debt.

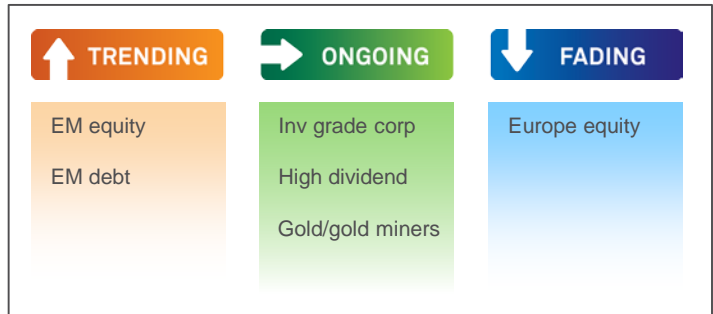
Broad EM equity funds maintained momentum collecting \$6.2bn, marking a third consecutive month of inflows, amid a leveling of commodity prices and a weaker U.S. dollar. The category remains on record pace with \$22.9bn year-to-date.

U.S. equities held course with inflows of \$16.6bn including large caps with \$7.3bn. Equity income-generating strategies gathered assets against the backdrop of low and negative yields globally: **Dividend-weighted** funds brought in \$1.4bn and **preferred stock** funds added a monthly record \$1.1bn and year-to-date gains of \$5.2bn already exceed last year's record flows. This same backdrop of low yields also benefited **gold miners** which saw inflows of \$1.8bn.

EM debt funds saw inflows with \$1.9bn in August. Year-to-date flows to the category are \$12.7bn surpassing the 2012 full-year flow record of \$8.3bn. **Investment grade corporate** bond funds drew in \$5.0bn in August and have been strong all year thanks to a number of tailwinds (see below). Year-to-date flows of \$29.2bn are also already above last year's record total inflows.

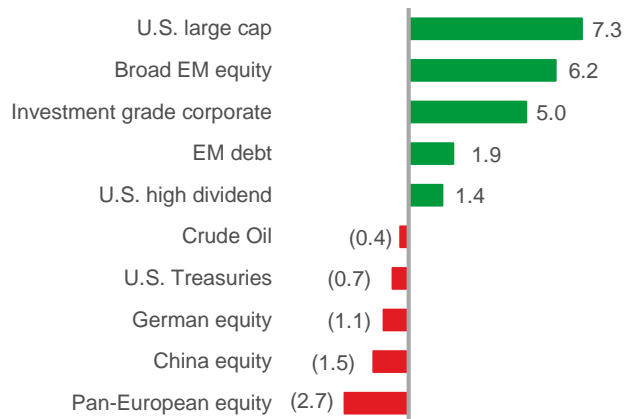
Finally, European equity outflows persisted in August. **Pan-European equities** shed (\$2.7bn) and **German equities** shed (\$1.1bn) as earnings continued to deteriorate and inflation remains stubbornly low.

KEY INVESTMENT THEMES / ETP FLOW TRENDS



GLOBAL ETP FLOWS BY ASSET CLASS & EXPOSURE¹

August 2016 flows: \$39.8bn

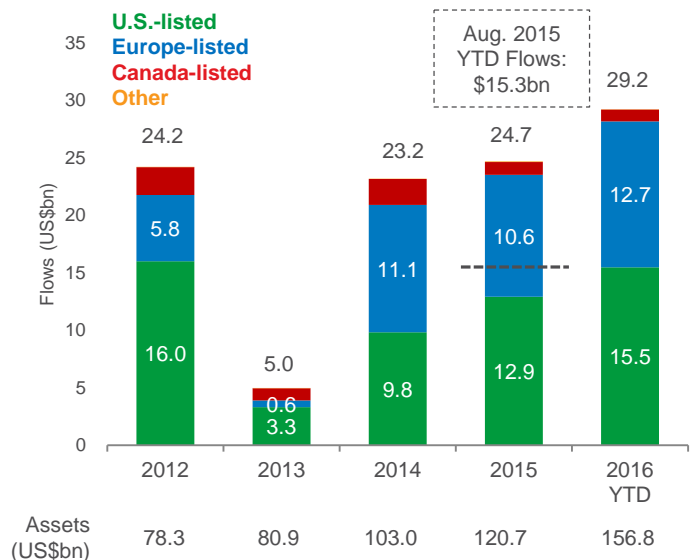


SPOTLIGHT ON INVESTMENT GRADE CORPORATE ETPs

2016 year-to-date flows for fixed income through August grew to \$95.1bn and have already surpassed the full-year 2015 total of \$86.8. Investment grade corporate debt funds are a significant contributor. A number of factors have aided flows to the category:

- 1) Income-hungry investors are turning to the category as one of the few sources of high-quality yield left in light of low and negative yields globally.
- 2) Europe-listed investment grade corporate bond fund flows are ahead of 2015's record pace amid European Central Bank buying and prospects for additional stimulus.
- 3) Though perceived as less imminent, the Fed continues to signal a rate rise on the horizon. Corporate bond funds can help mitigate the impact of higher rates because of the potentially higher income they may generate relative to Treasury funds.

GLOBAL INVESTMENT GRADE CORPORATE ETP FLOWS BY LISTING REGION



Year-to-date Overview

RESULTS AT A GLANCE¹

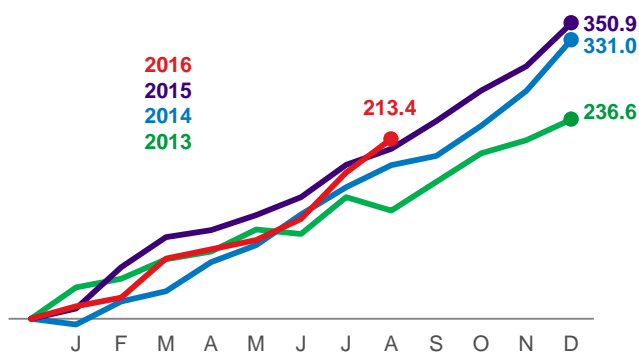
| (US\$bn) | Aug 2016 | Dec 2015 | Aug 2015 |
|---------------------------|----------|----------|----------|
| Monthly flows | 39.8 | 51.3 | 19.1 |
| Year-to-date flows | 213.4 | 350.9 | 201.6 |
| Assets | 3,355 | 2,961 | 2,827 |
| # of ETPs | 6,006 | 5,865 | 5,671 |

GLOBAL ETP FLOWS BY EXPOSURE¹

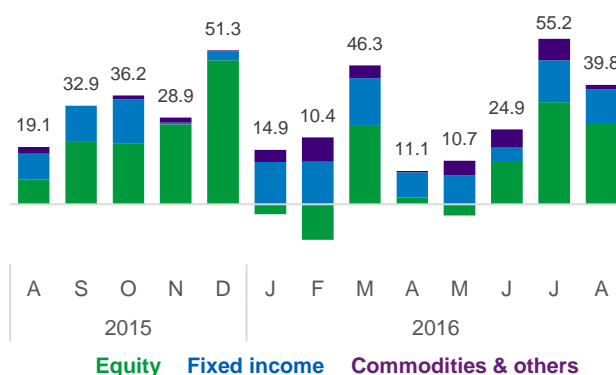
| (US\$bn) | | YTD 2016 | YTD 2015 | Annual 2015 |
|----------------------|--------------------------|--------------|--------------|--------------|
| Equity | Developed Markets Equity | 62.2 | 158.1 | 273.4 |
| | Emerging Markets Equity | 22.6 | (26.5) | (26.2) |
| | Total | 84.8 | 131.6 | 247.2 |
| Fixed Income | Government | 4.7 | 16.3 | 16.7 |
| | Investment Grade Corp | 29.2 | 15.3 | 24.7 |
| | High Yield Corp | 6.3 | 5.0 | 8.3 |
| | Others | 54.8 | 20.6 | 37.1 |
| | Total | 95.1 | 57.2 | 86.8 |
| Commodities & others | Total | 33.6 | 12.9 | 16.9 |
| Grand Total | | 213.4 | 201.6 | 350.9 |

CUMULATIVE ETP FLOWS¹

Year-to-date flows: \$213.4bn

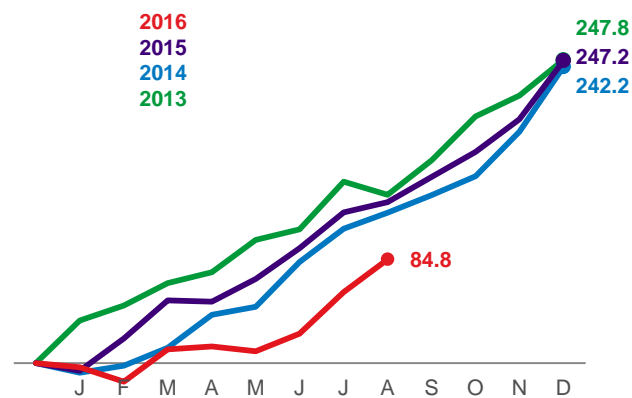


GLOBAL 13-MONTH ROLLING FLOWS¹



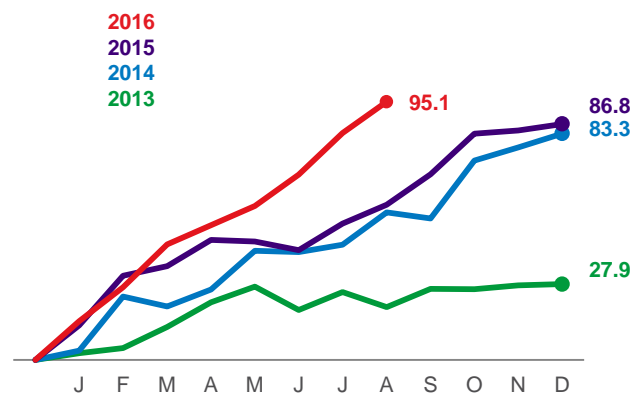
CUMULATIVE EQUITY ETP FLOWS¹

Year-to-date flows: \$84.8bn



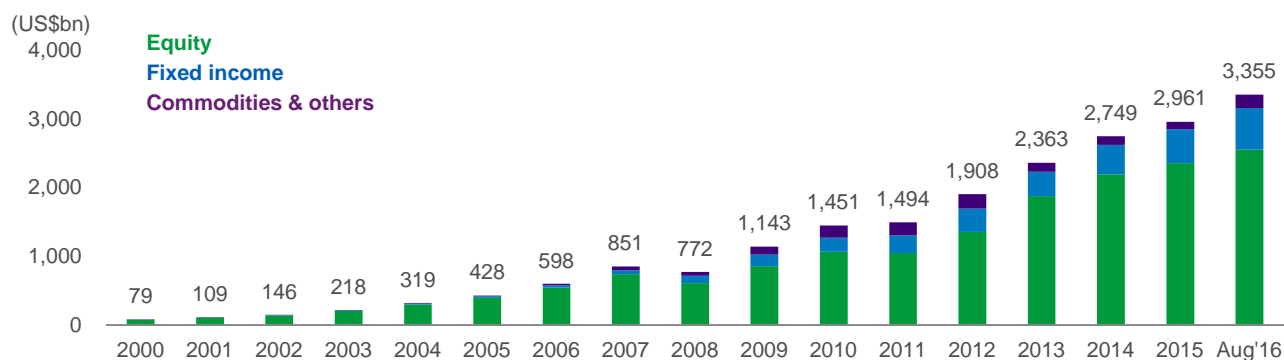
CUMULATIVE FIXED INCOME ETP FLOWS¹

Year-to-date flows: \$95.1bn



Year-to-date Overview (cont'd)

GLOBAL ETP ASSETS¹



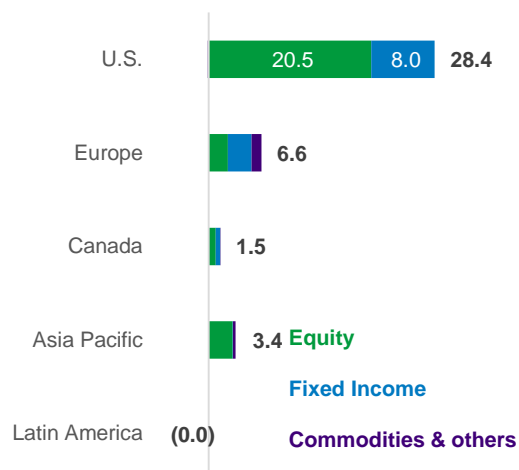
ETP Flows By Listing Region

ASSETS BY LISTING REGION¹

| (US\$bn) | Equity | Fixed Income | Commodity & others | Total |
|---------------------------------|--------|--------------|--------------------|-------|
| U.S. | 1,884 | 421 | 96 | 2,401 |
| Europe | 355 | 149 | 57 | 561 |
| Canada | 54 | 25 | 2 | 82 |
| Asia Pacific | 251 | 10 | 40 | 300 |
| Latin America | 5 | 0 | 0 | 5 |
| Middle East & Africa | 4 | 0 | 2 | 6 |
| Total | 2,553 | 605 | 196 | 3,355 |

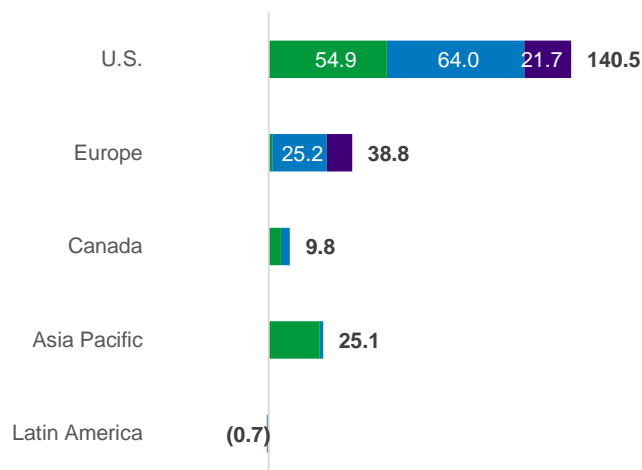
MONTH-TO-DATE FLOWS BY LISTING REGION¹

Month-to-date flows \$39.8bn



YEAR-TO-DATE FLOWS BY LISTING REGION¹

Year-to-date flows: \$213.4bn



ETP Flows by Exposure

| (US\$bn) | | MTD Flows | 2016 YTD Flows | Current Assets |
|---------------------------|--------------------------|-----------------------|----------------|----------------|
| Equity | U.S. | 16.6 | 60.3 | 1,486 |
| | Broad Developed Markets | 4.1 | 26.1 | 326 |
| | Asia-Pacific | 3.4 | 7.1 | 245 |
| | Europe | (4.0) | (34.7) | 213 |
| | Canada | 0.9 | 3.4 | 33 |
| | Developed Equity | 21.1 | 62.2 | 2,303 |
| | Single Country | (0.7) | (1.2) | 116 |
| | Broad | 6.2 | 23.0 | 128 |
| | Regional | 0.2 | 0.8 | 6 |
| | Emerging Markets Equity | 5.7 | 22.6 | 250 |
| | Equity Total | 26.7 | 84.8 | 2,553 |
| | Fixed Income | Investment Grade Corp | 5.0 | 29.2 |
| High Yield Corp | | 0.2 | 6.3 | 58 |
| Broad | | 1.6 | 19.3 | 104 |
| U.S. Treasury | | (0.7) | 5.3 | 61 |
| Sovereign | | (0.1) | (0.6) | 50 |
| Municipal | | 0.7 | 5.5 | 26 |
| Emerging Markets Debt | | 1.9 | 12.7 | 37 |
| Other Fixed Income | | 3.0 | 17.4 | 113 |
| Fixed Income Total | | 11.6 | 95.1 | 605 |
| Commodities | Gold | 1.0 | 26.1 | 89 |
| | Crude oil | (0.4) | 1.6 | 15 |
| | Silver | 0.2 | 1.2 | 11 |
| | Agriculture | 0.0 | 0.2 | 3 |
| | Other Precious Metals | (0.1) | 0.2 | 4 |
| | Other Commodities | (0.3) | 2.9 | 15 |
| | Commodities Total | 0.6 | 32.2 | 136 |
| Other | Other Total | 0.9 | 1.3 | 60 |
| Grand Total | | 39.8 | 213.4 | 3,355 |

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 sourced from Markit and BlackRock. All amounts are reported in US dollars. Flows are derived using daily net asset values and shares outstanding using the most recent data available at month-end. Assets are derived using shares outstanding and prices at the end of each month (or the closest date available). Where price is not available, an approximation is used. Product level information is aggregated by provider, asset class, exposure, and listing region to produce the various analyses in the report. For products with cross-listings, flows and assets are attributed to the primary listings. For Middle East and Africa, flows data are not available. Assets are not available for ETNs listed in Israel.

1. Data is as of August 31, 2016 for all regions. Global ETP flows and assets are sourced from Markit and BlackRock. Flows and assets for the years between 2010 and 2015 are sourced from Bloomberg and BlackRock. Flows and assets 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.

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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