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Monthly European ETF Market Trends

2014 in brief



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European ETF Market flows reached a three-year record high in 2014. Net New Assets (NNA) for last year amounted to EUR 44.8 billion, nearly three times their 2013 level. Total Assets under Management were up 26% vs. the end of 2013, reaching EUR 363 billion, and including a significant market impact (+19.5%). Both Equity and Fixed Income ETFs saw record high inflow levels in a more risk-on environment.*

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■ **Equity ETFs saw three-year record high inflows standing at EUR 26 billion, 82% above the previous 2013 record level.** Investors favoured developed market exposure with more than EUR 21.9 billion in NNA. **US exposures** were the top pick, gathering more than EUR 16.3 billion; nearly three times their 2013 level. German equity ETFs continued to see record outflows of EUR 7.8 billion, 1.5 times their 2013 outflows. Emerging market ETFs saw rather limited inflows of EUR 872 million, mainly focused on Asian exposures with EUR 822 million in NNA. **Global ETFs** also recorded a positive trend with NNA of EUR 3.1 billion, 2.5 times their 2013 level. Interestingly, **smart beta** ETFs also saw record high inflows of EUR 2.6 billion, nearly four times their 2013 level.

■ **Fixed income ETF inflows also hit a three-year record high of EUR 20.1 billion, 2.5 times their 2013 level.** Investors mainly focused on developed markets too, with NNA of more than EUR 15.8 billion. Investment grade corporate bond ETFs were the main beneficiaries with NNA of EUR 8.2 billion compared to EUR 224 million in 2013. European govies saw sustained inflows of EUR 4.5 billion, 1.12 times their 2013 level.

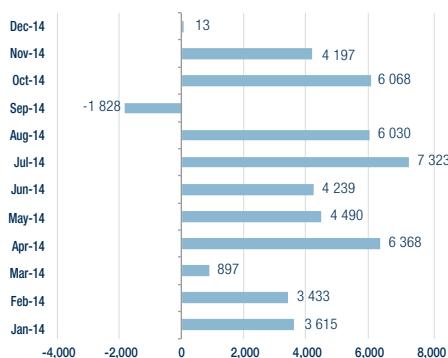
■ **Commodities continued to see outflows** but at the more limited pace of EUR 1.3 billion compared to EUR 5.5 billion in 2013. Precious metal ETFs continued to see outflows of EUR 1.5 billion whereas broad exposures recovered slightly with inflows of EUR 260 million vs. outflows of EUR 820 million in 2013.

*MSCI ACWI NTR +19.5% between 31/12/13 and 31/12/14 in EUR.

EUROPEAN ETFS IN DECEMBER 2014 – NET INFLOWS (EURM)

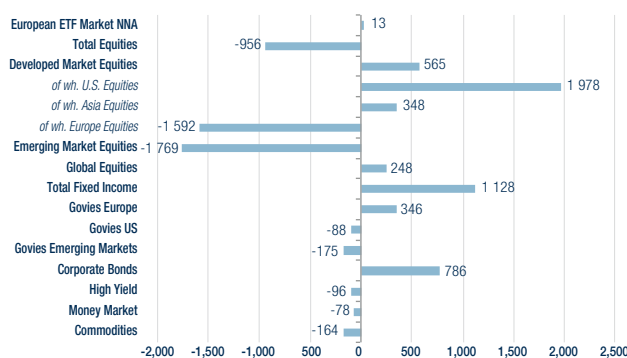
EUROPEAN ETF MARKET ENDED THE YEAR WITH NEARLY FLAT NNA AT EUR13M

MONTHLY NET NEW ASSETS ON EUROPEAN ETFS



EQUITY & COMMODITIES OUTFLOWS WERE COMPENSATED BY INFLOWS ON FIXED INCOME

MONTHLY NET INFLOWS ON EUROPEAN ETFS BY ASSET CLASS



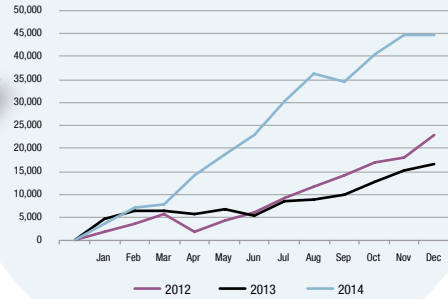
Sources: Monthly data in EURM from 31/12/2013 until 31/12/2014, Bloomberg, Lyxor.

YTD OVERVIEW

GLOBAL

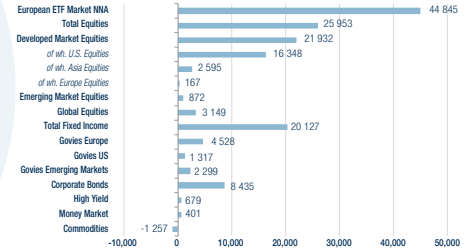
2014 IS A RECORD YEAR IN TERMS OF NNA WITH EUR44.8BN, NEARLY THREE TIMES 2013 NNA

CUMULATED MONTHLY NET NEW ASSETS ON EUROPEAN ETFS



YEARLY NET INFLOWS ON EUROPEAN ETFS BY ASSET CLASS

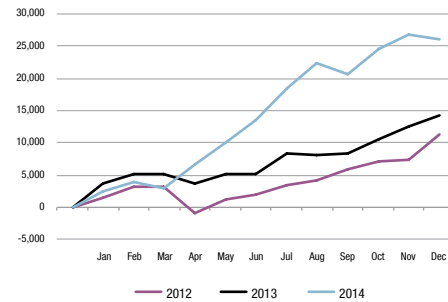
YEARLY NET INFLOWS ON EUROPEAN ETFS BY ASSET CLASS



EQUITY

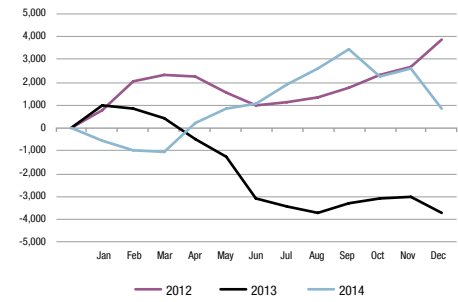
2014 IS A RECORD YEAR IN TERMS OF NNA WITH EUR26BN, NEARLY TWICE 2013 NNA

CUMULATED MONTHLY NET NEW ASSETS ON EQUITY ETFS



MIXED YEAR ON EMERGING MARKET EQUITY ETFS NNA STILL POSITIVE COMPARED TO 2013 WITH EUR872M WELL BELOW 2012 LEVEL OF EUR3.8BN

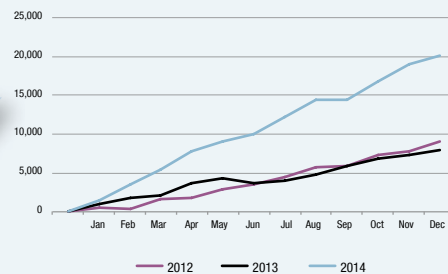
CUMULATED MONTHLY NET NEW ASSETS ON EMERGING MARKET EQUITY ETFS



FIXED INCOME & COMMODITIES

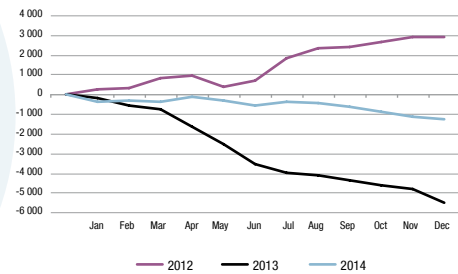
2014 IS A RECORD YEAR FOR FIXED INCOME IN TERMS OF NNA WITH EUR20.1BN 2.5X ABOVE 2013

CUMULATED MONTHLY NET NEW ASSETS ON FIXED INCOME ETFS



REDUCED OUTFLOWS ON COMMODITIES ETFS WITH EUR1.3BN VS 5.5BN IN 2013

CUMULATED MONTHLY NET NEW ASSETS ON COMMODITIES ETFS



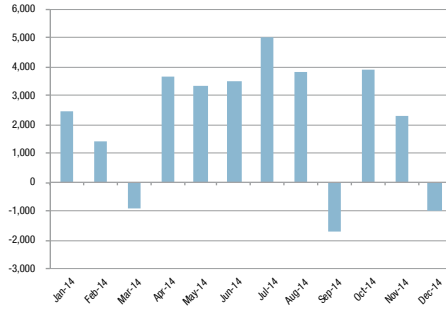
Sources: Monthly data in EURM from 31/12/2011 until 31/12/2014, Bloomberg, Lyxor.

MONTHLY OVERVIEW BY ASSET CLASS

EQUITY

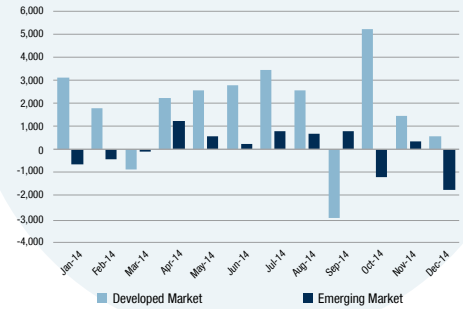
DECLINING TREND ON EQUITY ETFS WITH EUR956M OF OUTFLOWS IN DECEMBER 2014, THIRD NEGATIVE MONTH OF 2014

MONTHLY NET NEW ASSETS ON EQUITY ETFS



LIMITED INFLOWS ON DEVELOPED MARKETS AT EUR565M, THE SMALLEST MONTH IN TERMS OF INFLOWS IN 2014 AND 1 YEAR RECORD OUTFLOWS ON EMERGING ETFS AT EUR1.8BN

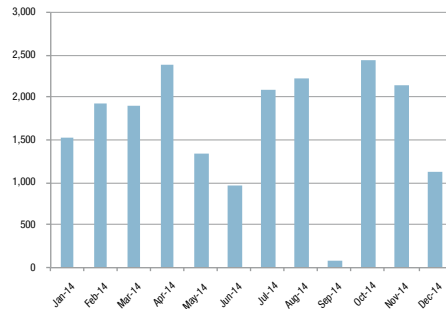
MONTHLY NET NEW ASSETS ON DEVELOPED VS EMERGING MARKETS EQUITY ETFS



FIXED INCOME

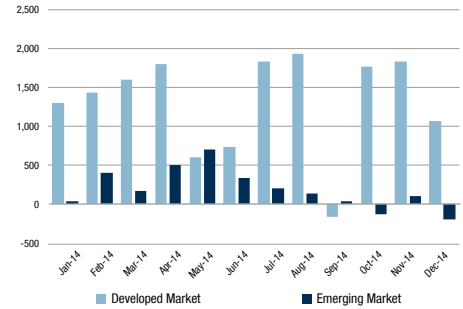
STILL SUSTAINED INFLOWS ON FIXED INCOME ETFS IN DECEMBER 2014 AT EUR1.1BN, 33% BELOW 1 YEAR AVERAGE

MONTHLY NET NEW ASSETS ON FIXED INCOME ETFS



DM FIXED INCOME ETFS INFLOWS AT EUR1.1BN & SECOND NEGATIVE MONTH IN 2014 FOR EM DEBT FLOWS AT EUR188M

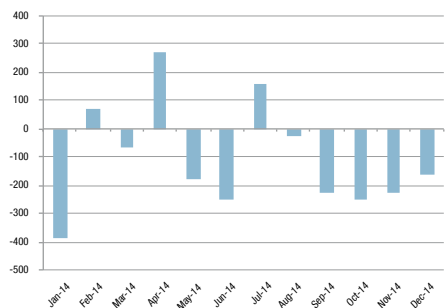
MONTHLY NET NEW ASSETS ON DEVELOPED VS EMERGING MARKETS FIXED INCOME ETFS



COMMODITIES

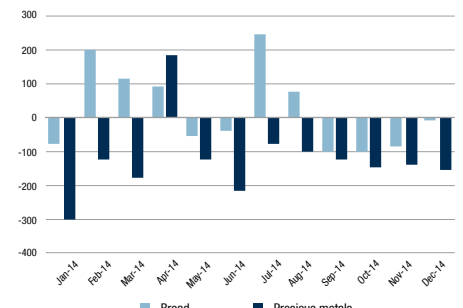
OUTFLOWS ON COMMODITIES ETFS AT EUR164M IN DECEMBER FOLLOWING SEVERAL NEGATIVE MONTHS

MONTHLY NET NEW ASSETS ON COMMODITIES ETFS



MAINLY COMING FROM GOLD & PRECIOUS METALS ETFS WITH EUR157M OF OUTFLOWS TOTALING EUR1.5BN FOR THE WHOLE 2014

MONTHLY NET NEW ASSETS ON BROAD & PRECIOUS METALS ETFS



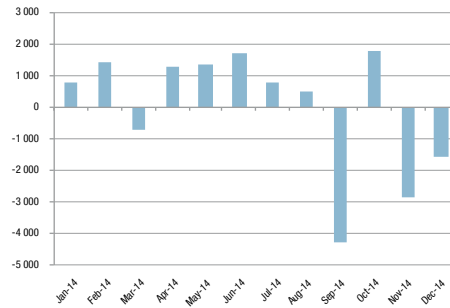
Sources: Monthly data in EURM from 31/12/2013 until 31/12/2014, Bloomberg, Lyxor.

EQUITIES

EUROPEAN EQUITIES

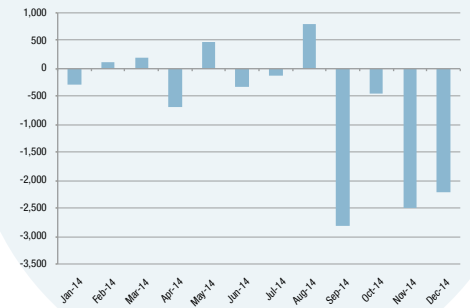
STILL SIGNIFICANT OUTFLOWS ON EUROPEAN EQUITY ETFS AT EUR1.6BN IN DECEMBER, FOURTH NEGATIVE MONTH IN TERMS OF FLOWS IN 2014

MONTHLY NET NEW ASSETS ON EUROPE EQUITY ETFS



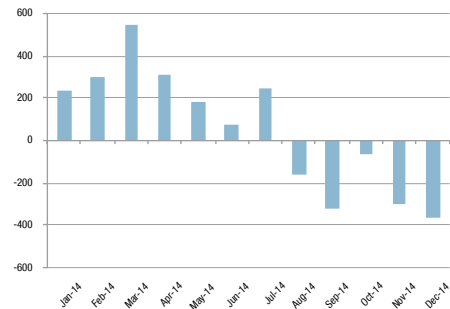
...NEW OUTFLOWS ON GERMAN EQUITY ETFS OF EUR2.2BN, TOTALING EUR7.8BN OVER ONE YEAR

MONTHLY NET NEW ASSETS ON GERMAN EQUITY ETFS



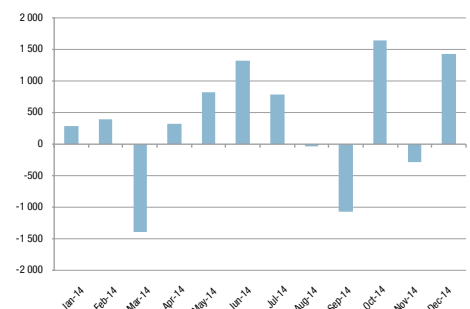
RECORD MONTH OF OUTFLOWS ON SPAIN & ITALY AT EUR369M WITH A TOTAL OF EUR678M INFLOWS OVER ONE-YEAR

MONTHLY NET NEW ASSETS ON PERIPHERAL EUROPE EQUITY ETFS



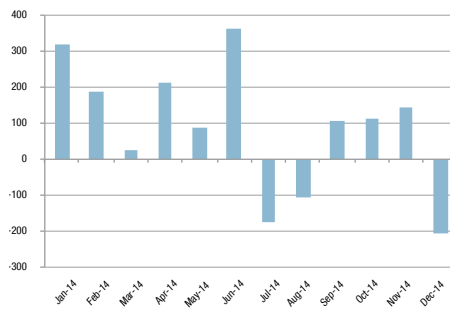
CLOSE TO ONE-YEAR RECORD HIGH INFLOWS OF THE EUROPEAN DEVELOPED REGION AT EUR1.4BN, TOTALING EUR4.3BN FOR THE FULL YEAR

MONTHLY NET NEW ASSETS ON EUROPE REGION EQUITY ETFS



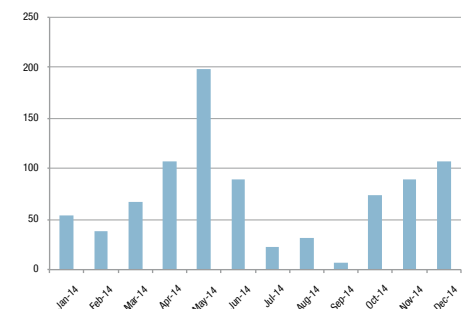
ONE-YEAR RECORD OUTFLOWS ON FINANCIAL EQUITIES OF EUR207M, COMPARING TO EUR1.1BN OF INFLOWS FOR 2014 AS A WHOLE

MONTHLY NET NEW ASSETS ON FINANCIALS EUROPE EQUITY ETFS



INCREASING INFLOWS ON DEVELOPED EUROPE DIVIDEND ETFS AT EUR108M, TOTALING EUR884M FOR 2014

MONTHLY NET NEW ASSETS ON EUROPEAN DIVIDEND EQUITY ETFS



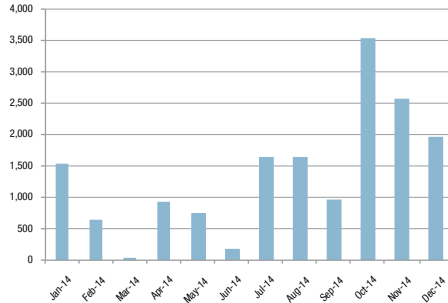
Sources: Monthly data in EURM from 31/12/2013 until 31/12/2014, Bloomberg, Lyxor.

EQUITIES

US & JAPAN EQUITIES

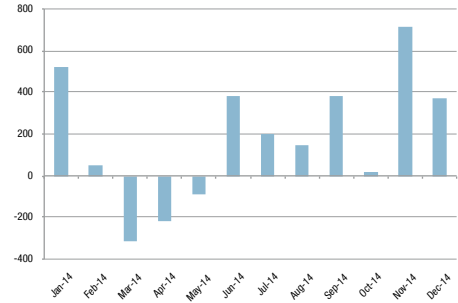
SUSTAINED INFLOWS BUT ON A DECLINING TREND ON US EQUITY ETFS WITH EUR2.0BN IN DECEMBER 2014, STILL THE THIRD BIGGEST MONTH OF NNA IN 2014

MONTHLY NET NEW ASSETS ON US EQUITY ETFS



SIGNIFICANT FLOWS ON JAPAN EQUITY ETFS AT EUR376M, TOTALING EUR2.2BN FOR 2014, -52% VS 2013

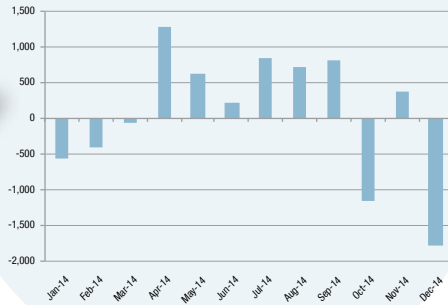
MONTHLY NET NEW ASSETS ON JAPAN EQUITY ETFS



EMERGING MARKET EQUITIES

ONE-YEAR RECORD OUTFLOWS ON EMERGING ETFS AT EUR1.8BN VS EUR872M OF INFLOWS FOR 2014

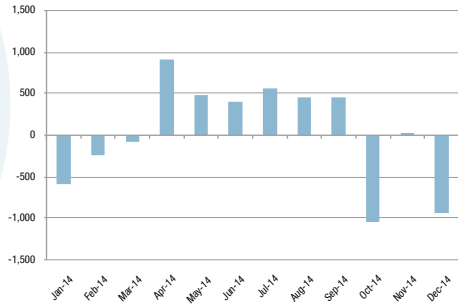
MONTHLY NET NEW ASSETS ON EMERGING EQUITY ETFS



*mainly concerning MSCI EM indexations

SIGNIFICANT OUTFLOWS ON BROAD EM EQUITY INDEXATIONS AT EUR942M IN DECEMBER 2014 AND EUR389M OF INFLOWS FOR 2014

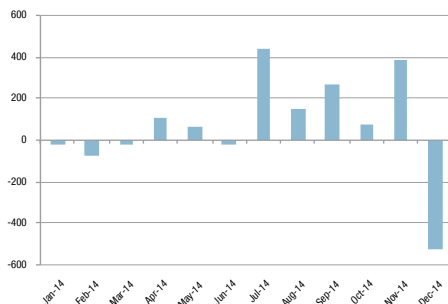
MONTHLY NET NEW ASSETS ON BROAD EM EQUITY ETFS*



THEMATIC

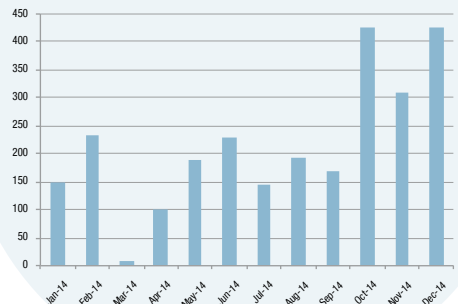
HIGH OUTFLOWS ON EMERGING ASIA EQUITIES AT EUR524M IN DECEMBER 2014 BUT INFLOWS OF EUR822M IN 2014, 94% OF 2014 NNA ON EMERGING EQUITIES AS A WHOLE

MONTHLY NET NEW ASSETS EM ASIA EQUITY ETFS



CLOSE TO ONE-YEAR RECORD INFLOWS ON SMART BETA EQUITY ETFS AT EUR424M, TOTALING EUR2.6BN FOR 2014, A THREE-YEAR RECORD HIGH

MONTHLY NET NEW ASSETS ON SMART BETA EQUITY ETFS



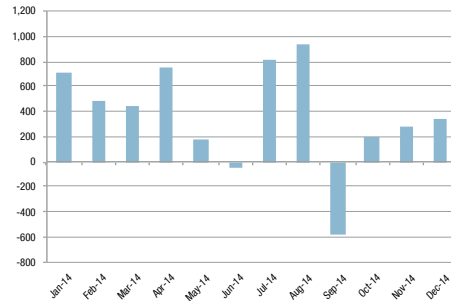
Sources: Monthly data in EURM from 31/12/2013 until 31/12/2014, Bloomberg, Lyxor.

FIXED INCOME

EUROPEAN DEBT MARKET

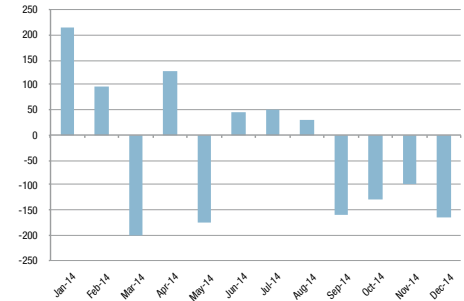
LIMITED INFLOWS ON EUROPEAN GOVIES AT EUR346M, TOTALING EUR4.5BN FOR 2014, A 3-YEAR RECORD LEVEL

MONTHLY NET NEW ASSETS ON EUROPE GOVIES ETFs



GERMAN GOVIES CONTINUED TO EXPERIENCE OUTFLOWS AT EUR163M, TOTALING OUTFLOWS OF EUR 358M FOR 2014

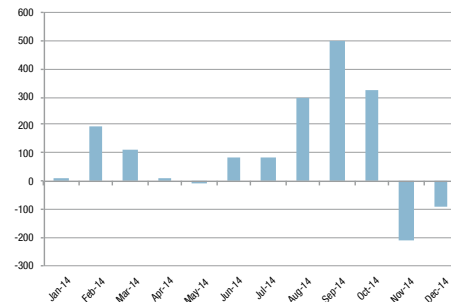
MONTHLY NET NEW ASSETS ON GERMAN GOVIES ETFs



US GOVIES

LIMITED OUTFLOWS ON US GOVIES AT EUR88M VS EUR1.3BN OF INFLOWS FOR 2014, A THREE-YEAR RECORD HIGH

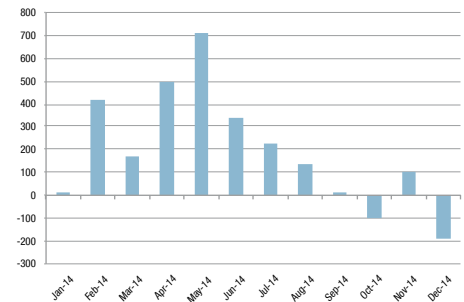
MONTHLY NET NEW ASSETS ON US GOVIES ETFs



EMERGING MARKET DEBT

EM DEBT OUTFLOWS REACHED A 1 YEAR RECORD AT EUR188M, WITH INFLOWS TOTALING EUR2.3BN FOR 2014, A THREE-YEAR RECORD

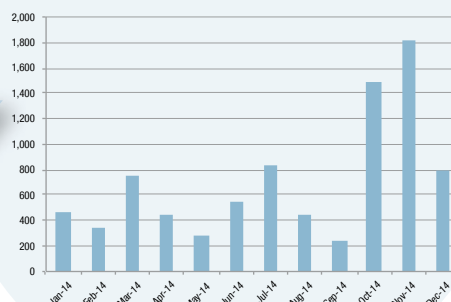
MONTHLY NET NEW ASSETS ON EMERGING MARKET DEBT ETFs



CREDIT MARKET

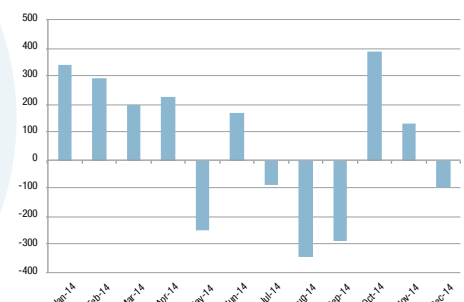
SUSTAINED INFLOWS ON DM CORPORATE BONDS AT EUR741M, TOTALING EUR8.3BN FOR 2014 VS NEARLY NO FLOWS IN 2013 AND HALF IN 2012

MONTHLY NET NEW ASSETS ON CORPORATE BOND ETFs



LIMITED OUTFLOWS ON HIGH YIELD BONDS AT EUR96M WITH INFLOWS OF EUR679M FOR 2014, -61% VS 2013

MONTHLY NET NEW ASSETS ON HIGH YIELD BOND ETFs



Sources: Monthly data in EURM from 31/12/2013 until 31/12/2014, Bloomberg, Lyxor.

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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.

Fund Liquidity risk: The Fund's liquidity and/or value may be negatively affected by different factors.

Counterparty risk: The Fund shall be exposed to the counterparty risk resulting from the use of OTC for forward financial instruments contracted with a lending institution.

Currency risk: The UCITS ETFs are exposed to currency risk, as they may be denominated in a currency different from the index.

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