EUROPEAN ETF MARKET REPORT:
August 2020

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EXECUTIVE SUMMARY

- ETF promoters in Europe experienced net inflows of €8.9 bn for August.

- Assets under management in the European ETF industry (€877.1 bn) increased during August.

- Bond ETFs (+€4.3 bn) posted the highest net inflows in the European ETF industry for August.

- The best-selling Lipper global classification for August was Equity Global (+€1.7 bn), followed by Equity US (+€1.1 bn) and Bond CNY (+€0.9 bn).

- iShares was the best-selling ETF promoter in Europe for August (+€3.1 bn), ahead of Xtrackers (+€1.5 bn) and Amundi ETF (+€1.1 bn).

- The 10 best-selling funds gathered total net inflows of €3.8 bn for August.

- The best-selling ETF for August, Amundi S&P 500 UCITS ETF- USD (C), accounted for net inflows of €0.6 bn.
August was another positive month for the European ETF industry since promoters enjoyed inflows as economies and securities markets stabilized further after the coronavirus lockdown-induced economic downturn. The combination of above average inflows and the positive performance of underlying markets led to an increase in assets under management from €843.5 bn as of July 31, 2020, to €877.1 bn at the end of August. The increase of €33.6 bn for August was driven by the performance of the underlying markets (+€24.7 bn), while net sales contributed €8.9 bn to the increase in assets. It was not surprising equity funds (€581.0 bn) held the majority of assets, followed by bond funds (€257.9 bn), commodities products (€27.0 bn), alternative UCITS products (€5.9 bn), money market funds (€3.6 bn), mixed-assets funds (€1.7 bn), and “other” funds (€0.2 bn).

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, August 30, 2020
Fund Flows by Asset Type
The European ETF industry enjoyed estimated net inflows for August (+€8.9 bn) which were above the rolling 12-month average. The high levels of inflows increased the rolling 12-month average to €8.6 bn from €7.2 bn in July 2020. The inflows in ETFs were driven by bond funds (+€4.3 bn), followed by equity ETFs (+€4.0 bn), commodities ETFs (+€0.5 bn), mixed-assets ETFs (+€0.1 bn), alternative UCITS ETFs (+€0.1 bn), and “other” ETFs (+€0.001 bn). Meanwhile, money market ETFs (-€0.1 bn) were the only asset type with outflows for the month.

This flow pattern drove the estimated overall net inflows to €8.9 bn for the month and €39.6 bn year to date.

Graph 2: Estimated Net Sales by Asset Type, August 2020 (Euro Millions)

Source: Refinitiv Lipper
Assets Under Management by Lipper Global Classifications

In order to examine Lipper global classifications in further detail, the European ETF market was split into 170 different peer groups. The highest assets under management at the end of August were held by funds classified as Equity U.S. (€173.3 bn), followed by Equity Global (€95.1 bn), Equity Eurozone (€47.0 bn), Equity Europe (€44.3 bn), and Bond EUR Corporates (€41.3 bn). These five peer groups accounted for 45.72% of the overall assets under management in the European ETF segment, while the 10-top classifications by assets under management accounted for 59.06%.

Overall, 18 of the 170 peer groups each accounted for more than 1% of assets under management. In total, these 18 peer groups accounted for €625.4 bn, or 71.30%, of the overall assets under management. In addition, it was noteworthy that the rankings of the largest peer groups saw some movements in the single positions after the market turmoil caused by the COVID-19 crisis and the ongoing recovery. Even as positions had been quite stable in the past, this indicates that European investors use ETFs to trade according to their market views. Even as some of these positions might be core holdings, once investors get into risk-off mode they also reduce their exposure to core asset classes. Nevertheless, these numbers showed assets under management in the European ETF industry continued to be highly concentrated.

Graph 3: Ten-Top Lipper Global Classifications by Assets Under Management, August 30, 2020 (Euro Millions)

Source: Refinitiv Lipper

The peer groups on the other side of the table showed some funds in the European ETF market are quite low in assets and risk being closed in the near future. They are obviously lacking investor interest and might, therefore, not be profitable for their respective fund promoters (Please read our report: "Is there a consolidation ahead in the European ETF industry?" for more details on this topic).
Graph 4: Ten Smallest Lipper Global Classifications by Assets Under Management, August 30, 2020 (Euro Millions)

Source: Refinitiv Lipper
**Fund Flows by Lipper Global Classifications**

The net inflows of the 10 best-selling Lipper classifications accounted for €7.3 bn. As for the overall sales for August, it was not surprising bond funds (+€3.5 bn) dominated the table of the 10 best-selling peer groups by net flows and peer group count. Opposite to the overall trend, the best-selling Lipper global classification for August was Equity Global (+€1.7 bn), followed by Equity US (+€1.1 bn) and Bond CNY (+€0.9 bn).

These numbers showed the European ETF segment is also highly concentrated with regard to fund flows by sector. Generally speaking, one would expect the flows into ETFs to be concentrated since investors often use ETFs to implement their market views and short-term asset allocation decisions. These products are made and, therefore, are easy to use for these purposes.

**Graph 5: Ten Best- and Worst-Selling Lipper Global Classifications by Estimated Net Sales, August 2020 (Euro Millions)**

On the other side of the table, the 10 peer groups with the highest estimated net outflows for August accounted for €0.9 bn of outflows.
Assets Under Management by Promoters
A closer look at assets under management by promoter in the European ETF industry also showed high concentration, with only 19 of the 48 ETF promoters in Europe holding assets at or above €1.0 bn. The largest ETF promoter in Europe—iShares (€408.6 bn)—accounted for 46.58% of the overall assets under management, far ahead of the number-two promoter—Xtrackers (€94.3 bn)—and the number-three promoter—Lyxor ETF (including the AUM of ComStage) (€72.5 bn). (To learn more about the concentration of the European ETF market at the promoter level, please read our report: Spotlight on the concentration at the promoter level in the European ETF industry).

Graph 6: Ten-Top ETF Promoters by Assets Under Management, August 30, 2020 (Euro Millions)

Source: Refinitiv Lipper

The 10-top promoters accounted for 93.86% of the overall assets under management in the European ETF industry. This meant, in turn, the other 38 fund promoters registering at least one ETF for sale in Europe accounted for only 6.14% of the overall assets under management.
Fund Flows by Promoters
Since the European ETF market is highly concentrated, it was not surprising that nine of the 10 largest promoters by assets under management were among the 10-top selling ETF promoters for August. iShares was the best-selling ETF promoter in Europe for August (+€3.1 bn), ahead of Xtrackers (+€1.5 bn) and Amundi ETF (+€1.1 bn).

Graph 7: Ten Best-Selling ETF Promoters, August 2020 (Euro Millions)

Source: Refinitiv Lipper

The flows of the 10-top promoters accounted for estimated net inflows of €8.6 bn. With regard to the overall flow trend in August, it was clear that some of the 48 promoters (10) faced net outflows (-€0.4 bn in total) over the course of the month.
There were 2,937 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of August. Regarding the overall market pattern, it was not surprising assets under management at the ETF level were also highly concentrated. Only 194 of the 2,937 instruments held assets above €1.0 bn each. These products accounted for €536.3 bn, or 61.14%, of the overall assets in the European ETF industry. The 10 largest ETFs in Europe accounted for €142.3 bn, or 16.23%, of the overall assets under management. (Please read our study: Is the European ETF industry dominated by only a few funds? to learn more about the concentration at the single-fund level in the European ETF industry).

Graph 8: Ten Largest ETFs by Assets Under Management, August 30, 2020 (Euro Millions)

Source: Refinitiv Lipper
ETF Flows by Funds
A total of 1,043 of the 2,937 instruments analyzed in this report showed net inflows of more than €10,000 each for August, accounting for €19.1 bn. This meant the other 1,894 instruments faced no flows or net outflows for the month (When looking at this statistic, one needs to bear in mind that some of these instruments are convenience share classes that do not report assets under management. This means Lipper can’t calculate fund flows for these ETFs). In more detail, only 41 of the 1,043 ETFs posting net inflows enjoyed inflows of more than €100 m during August—for a total of €8.3 bn. The best-selling ETF for August, Amundi S&P 500 UCITS ETF- USD (C), accounted for net inflows of €0.6 bn. It was followed by iShares China CNY Bond UCITS ETF USD Dist (+€0.5 bn) and SPDR Bloomberg Barclays Glo Aggregate Bd ETF USDH (+€0.5 bn).

Graph 9: Ten Best-Selling ETFs, August 2020 (Euro Millions)

Source: Refinitiv Lipper

The flow pattern at the fund level indicated there was a lot of turnover and rotation during August, but it also showed the concentration of the European ETF industry even better than the statistics at the promoter or classification levels. Given its size and the overall trend for net sales on the promoter level, it was not surprising that four of the 10 best-selling funds for August were promoted by iShares. These ETFs accounted for total estimated net inflows of €1.5 bn.
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