EUROPEAN ETF MARKET REPORT: MARCH 2021

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Executive summary

- ETF promoters in Europe experienced estimated net inflows of €16.6 bn for March.

- Assets under management in the European ETF industry hit a new all-time high (€1,095.8 bn) at the end of March 2021.

- Equity ETFs (+€18.7 bn) posted the highest estimated net inflows in the European ETF industry for March.

- The best-selling Lipper global classification for March was Equity US (+€4.7 bn), followed by Equity Global (+€3.8 bn) and Equity Sector Financials (+€1.9 bn).

- Xtrackers was the best-selling ETF promoter in Europe for March (+€4.8 bn), ahead of iShares (+€4.2 bn) and Vanguard Group (+€2.0 bn).

- The 10 best-selling funds gathered total net inflows of €9.3 bn for March.

- The best-selling ETF for March, iShares Edge MSCI USA Val Factor UCITS ETF USD Acc, accounted for net inflows of €1.4 bn.
March 2021 marked the twelfth consecutive month with inflows into ETFs after the outflows caused by the outbreak of the coronavirus pandemic in March 2020. These inflows occurred in a positive market environment in which investor sentiment was still impacted by the increasing dynamics of the COVID-19 pandemic in Europe and other parts of the world. The positive performance of the underlying markets led in combination with the estimated net inflows to increasing assets under management (from €1,034.4 bn as of February 28, 2021, to €1,095.8 bn at the end of March). The increase of €61.5 bn for March was driven by the estimated net sales (+€16.6 bn), while the performance of the underlying markets contributed €44.8 bn to the increase of the assets under management. It was not surprising equity funds (€775.2 bn) held the majority of assets, followed by bond funds (€273.4 bn), commodities products (€37.1 bn), alternative UCITS products (€5.6 bn), money market funds (€2.2 bn), mixed-assets funds (€2.2 bn), and “other” funds (€0.1 bn).

Graph 1: Market Share, Assets Under Management in the European ETF Segment by Asset Type, March 31, 2021

*Source: Refinitiv Lipper*
**Fund Flows by Asset Type**

The European ETF industry enjoyed healthy estimated net inflows for March (+€16.6 bn) which were far above the rolling 12-month average (€12.5 bn).

The inflows in the European ETF industry for March were driven by equity ETFs (+€18.7 bn), followed by alternative UCITS ETFs (+€0.3 bn), commodities ETFs (+€0.1 bn), and mixed-assets ETFs (+€0.1 bn). Meanwhile, bond ETFs (-€2.5 bn), money market ETFs (+€0.1 bn), and “other” ETFs (-€0.01 bn) showed outflows for the month.

This flow pattern drove the estimated overall net inflows to €16.6 bn for the month and €49.4 bn for the year 2021 so far.

**Graph 2: Estimated Net Sales by Asset Type, March 2021 (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 168 different peer groups. The highest assets under management at the end of March were held by funds classified as Equity U.S. (€215.1 bn), followed by Equity Global (€132.4 bn), Equity Emerging Markets Global (€57.1 bn), Equity Eurozone (€54.3 bn), and Equity Europe (€52.8 bn). These five peer groups accounted for 46.69% of the overall assets under management in the European ETF segment, while the 10-top classifications by assets under management accounted for 58.93%.

Overall, 19 of the 169 peer groups each accounted for more than 1% of assets under management. In total, these 19 peer groups accounted for €788.6 bn, or 71.97%, of the overall assets under management. In addition, it was noteworthy that the rankings of the largest peer groups saw some movement in single positions after the market turmoil caused by the COVID-19 crisis and the ongoing recovery. As the positions of the peer groups 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.

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 their constituents 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, March 31, 2021 (Euro Millions)

Source: Refinitiv Lipper
Fund Flows by Lipper Global Classifications

The net inflows of the 10 best-selling Lipper classifications accounted for €17.6 bn. As for the overall sales for March, it was not surprising equity funds (+€16.2 bn) dominated the table of the 10 best-selling peer groups by net flows and peer group count. In line with the overall trend, the best-selling Lipper global classification for March was Equity US (+€4.7 bn), followed by Equity Global (+€3.8 bn) and Equity Sector Financials (+€1.9 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, March 2021 (Euro Millions)

On the other side of the table, the 10 peer groups with the highest estimated net outflows for March accounted for €5.8 bn of outflows.
**Assets Under Management by Promoters**

A closer look at assets under management by promoters in the European ETF industry also showed high concentration, with only 23 of the 47 ETF promoters in Europe holding assets at or above €1.0 bn. The largest ETF promoter in Europe—iShares (€494.1 bn)—accounted for 45.09% of the overall assets under management, far ahead of the number-two promoter—Xtrackers (€131.0 bn)—and the number-three promoter—Lyxor ETF (€86.2 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, March 31, 2021 (Euro Millions)**

Source: Refinitiv Lipper

The 10-top promoters accounted for 93.21% of the overall assets under management in the European ETF industry. This meant, in turn, the other 37 fund promoters registering at least one ETF for sale in Europe accounted for only 6.79% of the overall assets under management.
**Fund Flows by Promoters**

Since the European ETF market is highly concentrated, it was not surprising that six of the 10 largest promoters by assets under management were among the 10-top selling ETF promoters for March. Xtrackers was the best-selling ETF promoter in Europe for March (+€4.8 bn), ahead of iShares (+€4.2 bn) and Vanguard Group (+€2.0 bn).

**Graph 7: Ten Best-Selling ETF Promoters, March 2021 (Euro Millions)**

![Graph showing the top 10 ETF promoters by flow in March 2021](image)

*Source: Refinitiv Lipper*

The flows of the 10-top promoters accounted for estimated net inflows of €16.5 bn, or 99.01%, of the overall estimated net inflows. With regard to the overall flow trend in March, it was clear that some of the 47 promoters (11) faced net outflows (-€0.8 bn in total) over the course of the month.
**Assets Under Management by Funds**

There were 3,019 instruments (primary funds and convenience share classes) listed as ETFs in the Lipper database at the end of March. Regarding the overall market pattern, it was not surprising assets under management at the ETF level were also highly concentrated. Only 260 of the 3,019 instruments held assets above €1.0 bn each. These products accounted for €709.6 bn, or 64.75%, of the overall assets in the European ETF industry. The 10 largest ETFs in Europe accounted for €159.1 bn, or 14.51%, 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, March 31, 2021 (Euro Millions)**

![Chart showing the ten largest ETFs by assets under management as of March 31, 2021. The chart includes bar graphs for each ETF, with the y-axis ranging from 0 to 40,000. The y-axis is labeled in Euro Millions.](chart_image)

*Source: Refinitiv Lipper*
ETF Flows by Funds
A total of 1,311 of the 3,019 instruments analyzed in this report showed net inflows of more than €10,000 each for March, accounting for €41.4 bn. This meant the other 1,708 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). Upon closer inspection, only 80 of the 1,311 ETFs posting net inflows enjoyed inflows of more than €100 m during March—for a total of €23.1 bn. The best-selling ETF for March, SPDR iShares Edge MSCI USA Val Factor UCITS ETF USD Acc, accounted for net inflows of €1.4 bn. It was followed by Xtrackers S&P 500 Equal Weight UCITS ETF (+€1.1 bn) and Lyxor UCITS ETF MSCI World Financials TR C-USD (+€1.1 bn).

Graph 9: Ten Best-Selling ETFs, March 2021 (Euro Millions)

Source: Refinitiv Lipper

The flow pattern at the fund level indicated there was a lot of turnover and rotation during March, 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 at the promoter level, it was somewhat surprising that only five of the 10 best-selling funds for March were promoted by iShares. These iShares ETFs accounted for total estimated net inflows of €4.7 bn.
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